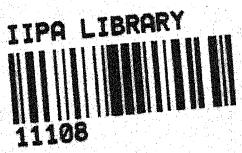


Functioning of Industrial Licensing System

A REPORT

The Corporate Studies Group



**THE INDIAN INSTITUTE OF PUBLIC ADMINISTRATION
INDRAPRASTHA ESTATE, RING ROAD, NEW DELHI - 110002**

January 1983

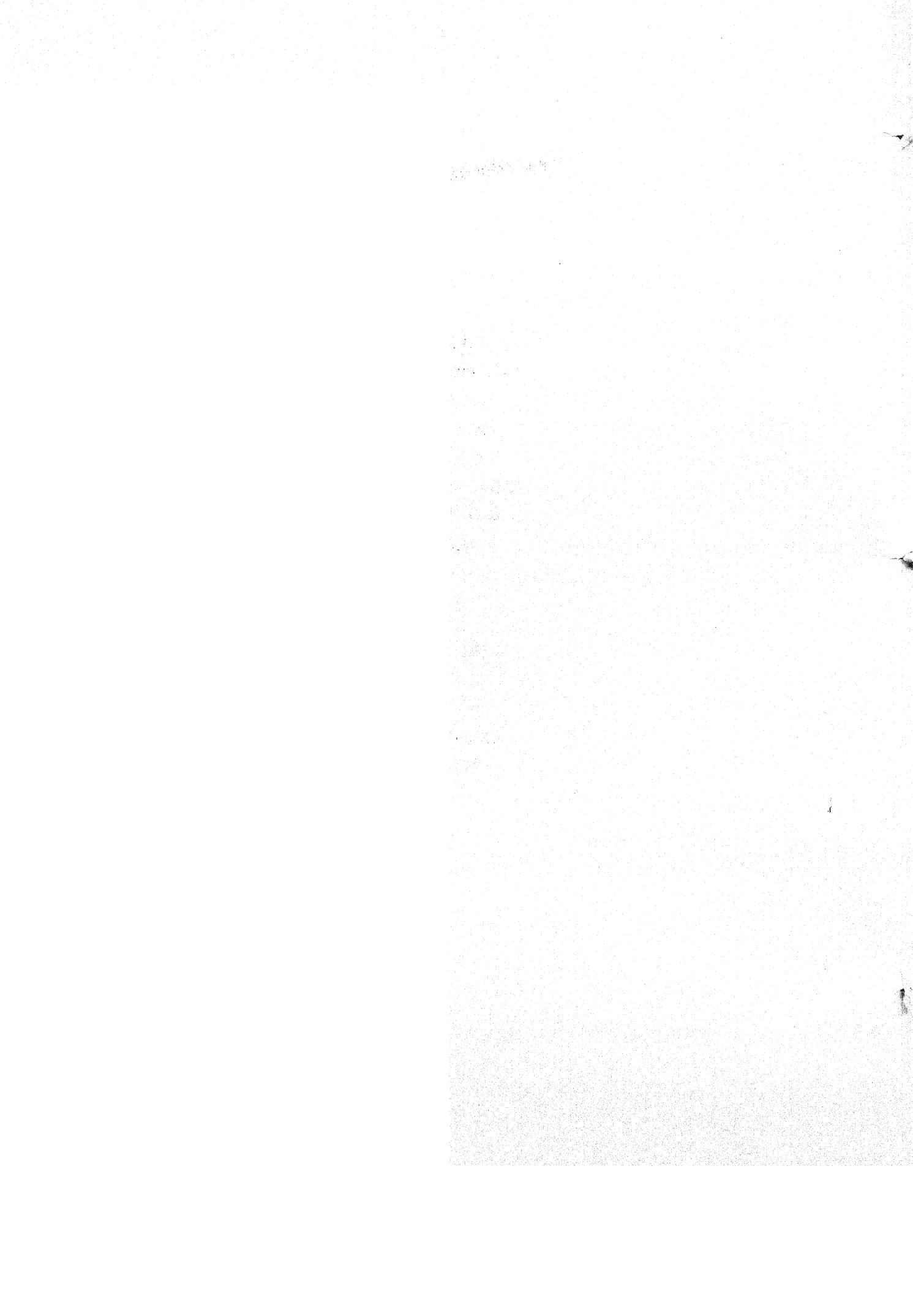
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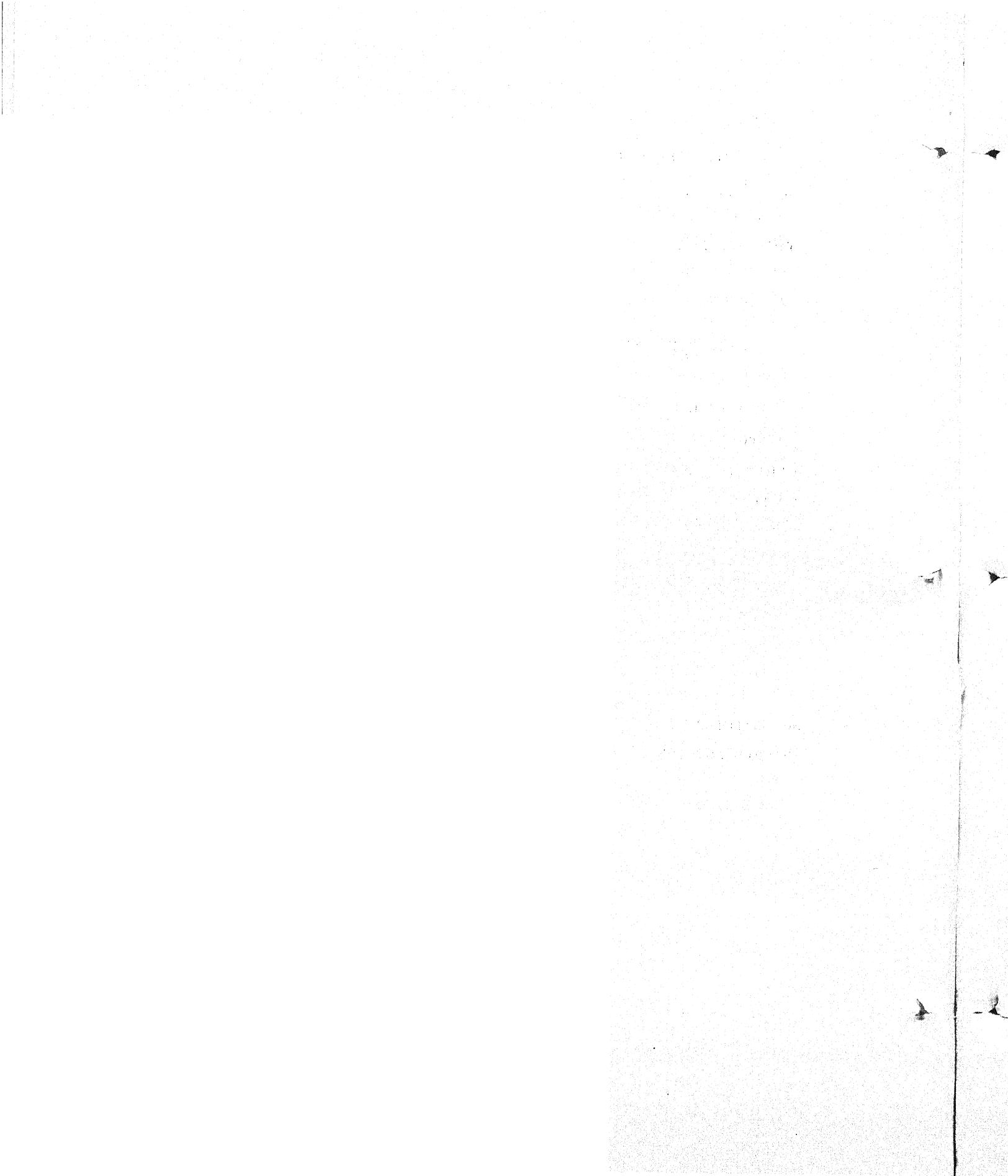
FOREWORD

This report is the first in the Series: Studies in National Development. The Corporate Studies Group plans to bring out research reports dealing with various aspects of regulatory policies of the state for national development.

These reports would be based mainly on data collected and compiled at the Corporate Information System for which the financial grant and support has been provided by the Indian Council of Social Science Research. We are thankful to Mr. P.R. Dubhashi, Director, and other colleagues at the Institute for the interest and continued support to the Programme. While several other friends and institutions also have extended their kind cooperation in conducting the study, the responsibility for the views and interpretation is that of the members of the Group alone.

S.K. Goyal
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New Delhi-2
January 20, 1983



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CHAPTER-I

INTRODUCTION

INTRODUCTION



The Industrial Licensing System (ILS) is an important instrument for determining the direction and size of industrial investments in the country. The System owes its legal authority to the Industries (Development and Regulation) Act, 1951 (IDRA)¹ which was enacted to provide for an orderly and regulated development of the specified industries.² Though the precise objectives of the licensing system have never been clearly stated at any one place, the operation of the ILS has often been justified on the ground that it seeks to ensure that new industrial investments in the economy are in accordance with the:

- (i) Plan priorities;
- (ii) Allocation of industries under the industrial policy between public, private and cooperative sectors;
- (iii) Reservations for the small scale industries;
- (iv) Directive Principles of State Policy in general, and particularly the requirement that the State must ensure that the operation of the economic system does not lead to concentration of wealth and means of production in a few hands to the common detriment; and
- (v) The national objectives of pursuing the path of an independent and self-reliant economy.

-
- 1. The IDRA has a number of objectives. The more important of these are to ensure: (i) adherence of new industrial capacities to the national pattern of priorities, within the overall limits set; (ii) that the industrial capacities are utilized in an optimal manner; (iii) that quality, distribution and pricing is fair; and (iv) that managements do not work against public interest. The Industrial Licensing System has been the main instrument of the IDRA. See: INDIA, Industries (Development and Regulation) Act, 1951.
 - 2. The list of the IDRA covered industries, generally known as Scheduled Industries, has undergone a number of changes over time. There have been re-groupings and additions. However, the changes do not appear to have made much difference to the coverage of industrial activity by the ILS.

Provisions of IDRA

In order effectively to pursue these objectives, and to ensure compliance by the public and private sector industrial enterprises, the IDRA provided for two sets of action. One, to record and register the industrial capacities existing at the time of its enactment as a one time operation. And two, to make it a statutory obligation on all new investors, after the enactment, to obtain prior permission of the Central Government for undertaking any fresh investment above a given investment limit in the Scheduled Industries. The industrial capacities existing at the time of enactment were approved without any sort of questioning.³ New industrial investments under the IDRA could be in the form of: (a) establishment of a new undertaking (NU); (b) undertaking of production of an article not previously produced (NA); or (c) substantial expansion of the already licensed capacities (SE).⁴

Scope of Licensing

Generally speaking, the scope of the ILS is restricted to the regulation of large-sized investments in the Scheduled industries, and a few industries in respect of which it was considered necessary to extend the ILS not nearly for reasons of size of investment but also for reasons of consumer protection and to safeguard the interests of the small scale, household and

-
3. The then existing units in the Scheduled Industries were directed to register themselves, for the capacities already installed, with the Central Government. A similar procedure has been followed for undertakings which come under the ILS as a result of the inclusion of new industries in the Schedule. This is generally known as a 'Carrying on Business' (COB) licence.
 4. Apart from NU, NA, SE and COB categories of licences, the undertakings desirous of shifting their location of production have also to obtain the necessary permission in the form of a 'shifting' licence.

tiny sectors. As a general rule, all small scale units are exempted from the provisions of the ILS.⁵ Under the liberalized procedures, starting with 1973, the scope of the ILS has been considerably narrowed down by the raising of exemption limits. The present exemption is Rs.3.00 crores for new investment, provided this does not involve foreign exchange exceeding 15 per cent of the ex-factory value of annual production, or beyond a ceiling of Rs.40.00 lakhs for raw materials and parts and components.⁶ The above liberalization, officially speaking, is not available to companies belonging to Larger Industrial Houses (as registered under the MPTP Act) or to those undertakings which are registered under the Foreign Exchange Regulation Act, 1973 (FERA). The FERA companies include: branches or subsidiaries of foreign companies and Indian companies in respect of which more than 40 per cent of paid-up equity share capital is held abroad.

To put the coverage of the ILS in positive terms, it is obligatory for (i) companies registered under the Monopolies and Restrictive Trade Practices Act, 1969 (MRTPA), (ii) branches and subsidiaries of foreign companies and Indian companies having foreign equity holdings of more than 40 per cent, (iii) undertakings seeking investments of more than Rs. 3.00 crores in Scheduled Industries, and (iv) units, irrespective of their size, in the specially regulated industries and areas reserved for the public sector, to obtain prior permission of the Central Government, i.e. an industrial licence under the IDRA, for

5. The industries in which even small scale units have to obtain a licence are listed in Schedule III and IV to the Notification dated February 16, 1973. Schedule III lists industries exclusively reserved for the Public Sector as per the Industrial Policy Resolution of 1956. Schedule IV lists industries requiring special regulations like milk-food, leather, matches and alcoholic beverages, vanaspati and coal.

6. The exemption limit was Rs. 10.0 lakhs in 1960 and in April, 1978 it reached the level of Rs. 3.00 crores through successive upward revisions. INDIA, Ministry of Industry, Notification dated February 16, 1973, (Reproduced in Guidelines for Industries, (1982), p. Sec. III-68).

undertaking any substantial expansion or starting a new undertaking or producing a new article.

To ensure that the provisions of the IDRA, 1951 are respected by all concerned, there are statutory provisions for imposing penalties on the defaulters. The assessment whether an undertaking has violated the law by effecting substantial expansion, or has undertaken un-licensed items for production, is left entirely to "the decision of the Central Government" and Section 23 of the IDRA, 1951 makes it clear that the Government's decision in this regard "shall be final". The IDRA also provides that if any person or an undertaking (then existing) does not register himself or itself and get the made endorsement on the registration certificate for 'productive capacity of the industrial undertaking and other prescribed particulars', or (ii) violates the IDRA by establishing a new undertaking or effecting substantial expansion: that person shall be:

"...punishable with imprisonment which may extend to six months, or with fine which may extend to five thousand rupees, or with both, and, in the case of a continuing contravention, with an additional fine which may extend to five hundred rupees for every day during which such contravention continues after conviction for the first such contravention." (Section 23(1) of the IDRA, 1951).

During the past three decades, there has hardly been any session of Parliament when the Government was not questioned about the propriety, or otherwise, of the granting of particular industrial licences. After an uproar in Parliament on the question of favours to some Big Business Houses, the Government was obliged to appoint a committee in July 1967 under the Commissions of Inquiry Act 1952, to review and assess the overall working of the ILS, and to report on the favours obtained by Larger Industrial Houses.⁷ In 1969, the Monopolies and Restrictive Trade Practices (MRTP) Bill was adopted by Parliament. Under this Act all applications for licences from

7. The Committee was called the Industrial Licensing Policy Inquiry Committee (ILPIC); it was headed by Subimal Dutt.

the associates of monopoly houses and product monopoly companies are expected to be reviewed by the Central Government from the viewpoint of concentration of economic power and product-monopoly. The latter may refer these cases to the MRTP Commission for detailed study.⁸ Each year a report on the working of the ILS is presented to Parliament, and information on the extent of capacity utilization in major industries is compiled by the DGTD.

Simplification of Licensing Procedures

Whether the ILS has been an effective instrument for ensuring regulated industrial development in India may be debatable. But the frequent protests of the Indian and foreign industrialists and chambers of commerce and business associations, have tended to create an impression that the ILS is an important but negative instrument which restricts investments and growth and discourages new entrepreneurship and industrialization. In a poor and relatively less industrialized country, which has inadequate resources (particularly in respect of entrepreneurship and capital), the Government's role should be, it is often argued, that of a promotor and not of a damper. Instead of having the ILS, the Government should on this view, encourage, assist, protect and promote private sector industry. These arguments would hold good against all forms of economic intervention by the state. That is to say, such arguments are

8. The Union Government refers only a few cases of the MRTP Act registered companies to the MRTP Commission. In most cases the Government invokes the discretionary powers enjoyed by it under the MRTPA. The Sachar Committee observed that out of the 618 effective applications received by the Central Government from June 1, 1970 to December 31, 1977 under Sections 21, 22 and 23, only 59 cases were referred by the Government to the Commission. INDIA, Ministry of Law Justice and Company Affairs, High Powered Expert Committee on Companies and MRTP Acts: Report, New Delhi, 1978, p.250. Also see: Khurana, Rakesh, Growth of Large Business: Impact of Monopolies Legislation, New Delhi, Wiley Eastern, 1981.

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based on the norm that in the state should have a minimum role to play in economic affairs. According to this line of thinking the entrepreneurs alone should decide what to produce, where to locate industries and at what prices to sell. These arguments would be substantially valid in the overall framework of a country which has no pretensions to national planning, no social or political commitments of a socialistic or socialist nature to honour and which does not have to protect or promote certain categories of economic activities, (e.g. Khadi, Village and Small-Scale Industries), or which has no Directive Principles of State Policy that must be complied with as a Constitutional stipulation.

In India, the need for planning was indeed argued by Captains of private industry in the document, A Plan of Economic Development for India, generally known as the Bombay Plan, in 1944. The Indian industrialists had not taken the view (at least in the pre-independence era) that the state should not intervene in the economic life of the country. Quite contrary to the position many in the private sector may take now, the Bombay Plan suggested establishment of a Supreme Economic Council under the Central Government. Indian industrialists, therefore, cannot be said to be wholly opposed to an active and direct role of state in planning or to the philosophy of industrial licensing. The criticism of the ILS from the private sector has, however, been on the question of (i) long delays in granting approvals; (ii) avoidable, cumbersome and time-consuming procedures; (iii) large amounts of unnecessary information being asked for; and (iv) excessive bureaucratic discretion against which no appeal could be made.⁹ The criticism has not remained without any impact. The Government has responded to it by constituting official

9. Apart from the numerous Memoranda by the FICCI, ASSOCHAM, AIMO and other private sector associations, this criticism has very often been voiced by leading industrialists of the country through their public statements, direct communications to the Prime Minister and through company chairmen's speeches published every year in most of the national dailies.

committees to recommend measures to simplify procedures and streamline the processing of applications for licences. The first such Committee was appointed as early as in 1963. A number of important changes in the licensing system, on the plea of simplification have been adopted as a result of the recommendations of these Committees.¹⁰

In practice, the efforts at streamlining of procedures have invariably ended in making the scope of the ILS narrower. Whenever the exercises for streamlining of procedures were initiated the standard argument has been that since the number of applications for grant of industrial licences was far larger than what the administrative system could handle, it was advisable to cut down the number of applications by raising the exemption limit or by delicensing a few industries. The exemption limit from the licensing system, which stood at Rs. 10 lakhs in February, 1960, was raised to Rs. 25 lakhs in January, 1964 and to Rs.1.00 crore in February, 1970. The present limit of Rs.3.00 crores, suggested by the Ramakrishna Study Group, came into operation from April 28, 1978. A further raising of the exemption limit to Rs.5 crores is being contemplated.¹¹

10. In 1963, the Swaminathan Committee was constituted by the Central Government with a number of industrialists as members, to suggest simplification of procedures and regulations on industrial licensing and other related matters. The Committee submitted its final report in 1964. See India, Ministry of Industries, the Final Report of the Industries Development Procedures Committee, 1964. The Committee was re-constituted in 1965 and another report was submitted by this reconstituted committee in 1966. Another Study Group on Industrial Regulations and Procedures was appointed under the chairmanship of G.V. Ramakrishna, to review licensing and other procedures in order to remove impediments in the acceleration of industrial production. This Group submitted its report in February 1978. The Group recommended, inter alia the raising of the exemption limit for industrial licensing from Rs. 1 crore to Rs. 3 crores.

11. Cf. The Business Standard, Calcutta, December 25, 1982.

Administration of the ILS

At one level, it would be relevant to ask for information on the number of cases in which the Government has taken punitive action against those who violated the provisions of the IDRA. To the best of our knowledge, no one has so far been imprisoned nor has any company been fined for violations of the ILS. Considering the absence of any significant instances of this kind, one could, academically speaking, take a view that the absence of such cases only indicates that the ILS instils so much fear in the minds of the industrialists, that no one has ever dared to violate it. Such a view cannot be sustained because for more than ten years, cases of violations of the ILS have been brought to public notice time and again. Apart from individual press reports, the Industrial Licensing Policy Inquiry Committee (ILPIC) had cited at least 45 important cases where actual production was far in excess of the licensed capacity.¹² The Hathi Committee on the Drugs and Pharmaceutical Industry had also brought out a large number of specific cases of violations.¹³ That violations of ILS have been quite frequent is evident from the fact that within a short span of two years the Government was obliged to make two successive policy declarations to "regularise the installation of excess capacities."¹⁴ It seems that the real reason for the absence of known cases where punitive action has been taken by Government does not lie in the absence of violations. The explanation for this failure lies somewhere

12. INDIA, Ministry of Industrial Development, Internal Trade and Company Affairs, Report of the Industrial Licensing Policy Inquiry Committee, 1969 (Hereafter referred to as the ILPIC Report), Appendices, Vol.III, pp.57-62. The Committee further reported that, in many cases excess installed capacities were later regularised by Government, and recognised through allocation of raw materials on the basis of the actual capacities. (Main Report, p.95).
13. INDIA (Ministry of Petroleum & Chemicals) Committee on Drugs and Pharmaceuticals; Report, 1975.
14. Vide Notifications No. S.O. 703 (E) dated September 4, 1980 and No. S.O. 529 (E) dated July 26, 1982 of the Ministry of Industry (Department of Industrial Development).

else. The explanation by the Ministry of Industry in its Annual Report for 1981-82 reads as follows:

"... the penal action for the violations of the provisions of the IDR Act which so far generally went unpunished because of the limitation of one year laid down under Section 468 of the Criminal Procedural Code as the offences usually came to light after the one year time limit."¹⁵

This may be a genuine reason: however, the question needing an answer is: why did the Government take more than three decades to realize that the IDRA couldnot be legally enforced? Further, can it be the case that the violations of the IDRA have been made without the explicit support of the other government departments? Let us assume, for the sake of argument, that some undertakings were able to establish new undertakings or excess capacities through new investments without prior approval. Was the enhanced production undertaken without obtaining enhanced quantities of raw materials, (many of which are state controlled and imported), and additional power? And supposing the violating undertaking did not require any permission for enhanced inputs, was it not open to the Government under the IDRA itself to insist on a price reduction to enable the consumers to have a share in the economies of scale harnessed by the undertaking? To argue that since the necessary penal action could not be initiated within one year the Government had no option but to ignore or to regularize the excesses does not appear very convincing. For, there is a variety of actions that can be taken to ensure that industrial enterprises respect the spirit of the industrial regulations.

Production in excess of licensed capacity is only one kind of violation of the licensing system. An undertaking would be violating the spirit of the regulations if it resorts to non-implementation or gross under-utilisation of the licensed

15. INDIA, Ministry of Industry, Annual Report 1981-82, p. 10.

capacities as this could be aimed at pre-empting entry of others with the desire to maintain a monopolistic or dominant position in the industry. If production is undertaken without a licence on the false plea of 'non-applicability' of the licensing provisions it could amount to deliberate flouting of the ILS. Similarly, if the licensee does not honour the conditions attached to the licence this could have serious consequences on other economic and plan objectives. Such conditions could be with respect to location, supply of a minimum proportion of output to other manufacturers, pricing, or export commitments.

Definitions and Concepts

Prior possession by the industrial undertaking of an industrial licence,¹⁶ issued by the Central Government, is a legal requirement to "manufacture specific articles" included in the Schedule to IDRA. Each licence contains information on the:

- i) Name and address of the undertaking, its owner and the location of the manufacturing activity;
- ii) Scheduled Industry;
- iii) Articles produced or to be produced;
- iv) Annual production capacity for each item; and

During the administration of the ILS over the past three decades a number of questions have been raised with regard to the precise and operational meaning of: an undertaking, (should it be a factory unit or an ownership unit?);¹⁷ the concept of

16. Industrial Licences and Registration Certificates are treated as the same because the latter were issued as part of a one time operation to deal with the industrial capacities of undertakings existing at the time of enactment.
- v) Conditions attached.
17. ILPIC Report (Main), p.28.

capacity, (is it rated technical capacity, economically viable, operational, or the cost efficient capacity, on single or multiple shift basis, or does it mean the maximum permissible limit for production);¹⁸ and the legal basis of imposing conditions attached to the licences issued.¹⁹ A good deal of ambiguity on the above issues has continued to exist from the very inception of the IDRA.

The entire question of capacities as endorsed on the licences was reviewed by the Government in 1975. It was decided to bring the capacity endorsements under the ILS on a uniform basis. The undertakings which held industrial licences specifying single or double shift basis, were directed to obtain fresh endorsements on their licences for capacities, on the basis of maximum utilization of plant and machinery.²⁰ The Government notification on the subject, however, did not make it clear if the endorsements were obligatory or merely desirable. In any case, one should assume that in their own interest, the industrial units would have taken advantage of this opportunity, to obtain enhanced capacity endorsement for the excess capacities established in the previous period. The process of endorsements was required to be completed within six months.

It is somewhat difficult to keep track of the latest position with regard to the rules and procedures applicable at a point of time under the Indian ILS. The changes are made very frequently. And these very often involve not only revisions with respect to exemptions and reservations, but also regularizations, ban lists, special concessions, preferential treatment in administrative processing as also a number of 'ifs', 'buts' and

18. Cf. Ibid, pp.37-38.

19. Cf. Ibid, pp.72-73.

20. See Press Notes of January 28, 1975 and August 7, 1975 as reproduced in INDIA, Ministry of Industry, Department of Industrial Development, Guidelines for Industries (1979), Part-I, p. Sec.v-1 and v-12. (Hereafter referred to as Guidelines for Industries)

'provideds'. It is, therefore, no surprise that to a large many the ILS remains something of a mystery.

Government regulations in India are known to be invariably so framed that considerable discretion is left with the dealing civil servants. This discretion is frequently exercised under the general plea of safeguarding of "public interest". Similarly, official announcements generally leave considerable scope for multiple interpretations. The frequency of policy and procedural changes and the resulting uncertainty about the validity of a licensing policy for any minimum period of time and the ambiguities make the ILS a complex system. To illustrate, the Guidelines for Industries, an official publication of the Ministry of Industry, explains the current provisions for an aspect of the ILS, i.e., the exemptions from the ILS, in the following words:

The current provisions for exemption from licensing are governed by a Notification issued by Government on February 16, 1973 as amended by Notifications issued on 18th June 1973, 31st October 1973, 26th February 1974 (two notifications), 29th August 1974, 12th February 1975, 19th May 1975, 21st July 1975, 13th November 1975, 19th November 1976, 4th April 1978, and 26th April 1978.²¹

Till October 1982, the Notification of 1973 was amended 43 times, with as many as 11 amendments in 1980 alone! There have, of course, been a number of important changes in the industrial policies between 1973 and 1982. The two important ones were in the form of policy statements by the concerned Ministers: first, by Mr. Charanjit Chanana on July 23, 1980, and the second by Mr. Narain Dutt Tiwari on April 21, 1982.²²

21. Ibid., p. Sec. I-8

22. For an assessment of the consequences of the two Statements, see: S.K. Goyal, "A Preliminary Survey of Excess Industrial Capacities with the Indian Corporate Sector -- Some Implications of Industrial Policy Statement of July 23, 1980", Working Paper No.6, Corporate Studies, Indian Institute of Public Administration (IIPA), July 28, 1980; K.S. Chalapati Rao and K.V.K. Ranganathan, "Industrywise List of Companies Having Excess Capacity/Production", Corporate Studies, IIPA, (Mimeo); and S.K. Goyal, "New Industrial Licensing Policy - An Empirical Assessment", Working Paper No.11, Corporate Studies, IIPA, April 23, 1982.

The ILS has been assigned an important position and status, in the overall governmental system of economic regulations. Even though the ILS has been an important instrument, there have been very few empirical studies of its actual working. Two important investigations were those of Hazari (1967)²³ and the Industrial Licensing Policy Inquiry Committee (1969)²⁴. These studies pointed out a number of defects in the working of the ILS. It is believed that Government took note of these studies and announced policy changes in February 1970.²⁵ The specific instances of favour brought out by ILPIC, were referred to a Commission of Inquiry. The Commission, however, was dissolved by the Janata Government in 1979 as it could not complete its inquiries even after eight years of its working.²⁶

Present Study

The thrust of the ILPIC, as specified by the Terms of Reference, was to inquire into the ILS from the viewpoint of probable favours obtained by the Larger Houses and the consequential furtherance of concentration of economic power in the economy. While there have been a number of industry studies, the first study on the extent of capacity utilization in the Indian industrial sector was attempted by the USAID in 1964. The

23. Hazari, R.K. Industrial Planning and Licensing Policy: Final Report, Planning Commission, 1967.
24. INDIA, Ministry of Industrial Development, Internal Trade and Company Affairs, Industrial Licensing Policy Inquiry Committee: Report, 1969, Delhi.
25. After considering these reports a number of decisions were announced in February 1970. See: INDIA, Guidelines for Industries, 1979, op. cit., Part I, p. Sec. II-6.
26. The commission of inquiry was headed by Justice Sarkar and was known as the "Commission on Large Industrial Houses", (1970). No report of the Commission has been published. It was wound up on the plea that the Commission could not serve any useful purpose as even after eight years of its functioning, it was unable to come to any final conclusion on its terms of reference. The Commission is reported to have experienced non-cooperation from the official and other agencies apart from judicial stay orders.

USAID study underlined the existence of large under-utilized capacities and identified the main reasons for it in the lack of demand, shortage of critical raw materials and labour trouble. The policy conclusions of the USAID study were conveyed separately.²⁷ A recent study in the area of capacity utilisation has come from the Tata Economic Consultancy Services (TECS).²⁸ TECS study argues that for the more efficient use of the industrial capacities, "conditions will have to be created whereby they are stimulated to achieve this efficiency as a means not only of survival but also of expansion, growth and greater profitability".²⁹

The objective of the present study is not to cover the ground already covered by previous studies or inquiries or raise similar questions once again. This exercise has been undertaken to make an empirical assessment of the degree of effectiveness of the Industrial Licensing System. Has the growth of the Indian industrial sector, particularly the large corporate sector, been regulated de facto to ensure that Indian industrial development is in accordance with national priorities? Or, conversely, does the regulatory legislation exist primarily as a result of a historical accident and less as a purposeful instrument of development and regulations? The intention is to examine whether the ILS has the teeth, and the requisite strength in its jaws, to bite; and to assess the administrative and political will on the part of the policy makers in making the system a meaningful apparatus for planned development of the country.

- 27. The USAID studies are believed to have contributed to the decision to devalue the Indian rupee in June 1966. See V.K. Ramaswami and D.G. Pfoutz, Utilization of Industrial Capacity, Government of India and the United States Agency for International Development, 1965; and Nancy Slocum, "Underutilized Industrial Capacity in India: Exploration of Measures and Causes" Final Report submitted to Economic Affairs Division, USAID, New Delhi, under contract No.AID-368-1440 (Mimeo graph) (date not indicated).
- 28. Tata Economic Consultancy Services, "Capacity Utilization in Indian Industry" (Mimeo graphed and sponsored by the Associated Chambers of Commerce and Industry of India), May 1982.
- 29. Ibid., p. 219A.

The study, we hope, will provide an empirical basis for an objective discussion and to examine the extent to which the industrial licences once granted, get implemented, i.e., to compare the licensed and installed capacities with the actual level of production reached by the licensees. The reference year for this capacity Survey is 1979. Chapter-II presents the overall coverage and methodology of the Survey. Chapter-III outlines the pattern of capacity utilization and production based on the Survey, covering 769 selected companies. Chapter-IV consists of a Review based on nearly 2,000 company Annual Reports³⁰. This Chapter highlights various aspects of the functioning of the country's Industrial Licensing System as revealed in the company Annual Reports. Chapter-V provides a summary of the main findings and conclusions.

The ILS has been viewed from two angles. One, through a Survey of the licensed and installed capacities and actual production, of the stock-exchange-listed companies in India. The Survey may be of interest to the Planning Commission and the Ministry of Industries and the Department of Company Affairs in exploring policy alternatives to deal with the situation prevalent in the organized sector of the Indian economy.

Two, taking advantage of the leads provided in the Survey, an extensive Review of Company Annual Reports was undertaken. In India, company Annual Reports are, among other things, an important source of information and data, as reported by the individual companies themselves on the question of the level of licensed and installed capacities and the level of actual production. The Review of Annual Reports provides an insight

30. The Corporate Information System (CIS) of the Indian Institute of Public Administration has a library of Company Annual Reports. Special emphasis is placed on covering stock-exchanges-listed companies, companies registered under the MRTP Act, all foreign branches and subsidiaries and companies having a Paid-up-Capital of Rs. 50 lakhs and above.

into the actual working of the ILS and highlights some of the prevailing practices in the Indian corporate sector. The Review shows how individual companies treat or interpret the licences and licensed capacities held by them. Illustrative lists on each aspect of the functioning of the ILS, as reported by the companies, have been presented to provide a basis for policy discussions. Our purpose is to present an overview backed by specific illustrations so that one can have a better understanding of the functioning of the ILS. It is not our contention that the Survey and the Review would show up all the limitations of the ILS. There are many other aspects which require further investigation. For instance, it is necessary to assess the extent to which the specific conditions laid down, at the time of initial issue of licences, have been adhered to by the licensees. This may be with regard to technology claims, export obligations, pricing structure, dependence on imports, obligation to share a minimum of the production with others or with reference to the claims made by the applicants. The conditions attached to the licences are not published in the company Annual Reports. Hence, our inability to pursue inquiries of this nature in a comprehensive way.³¹

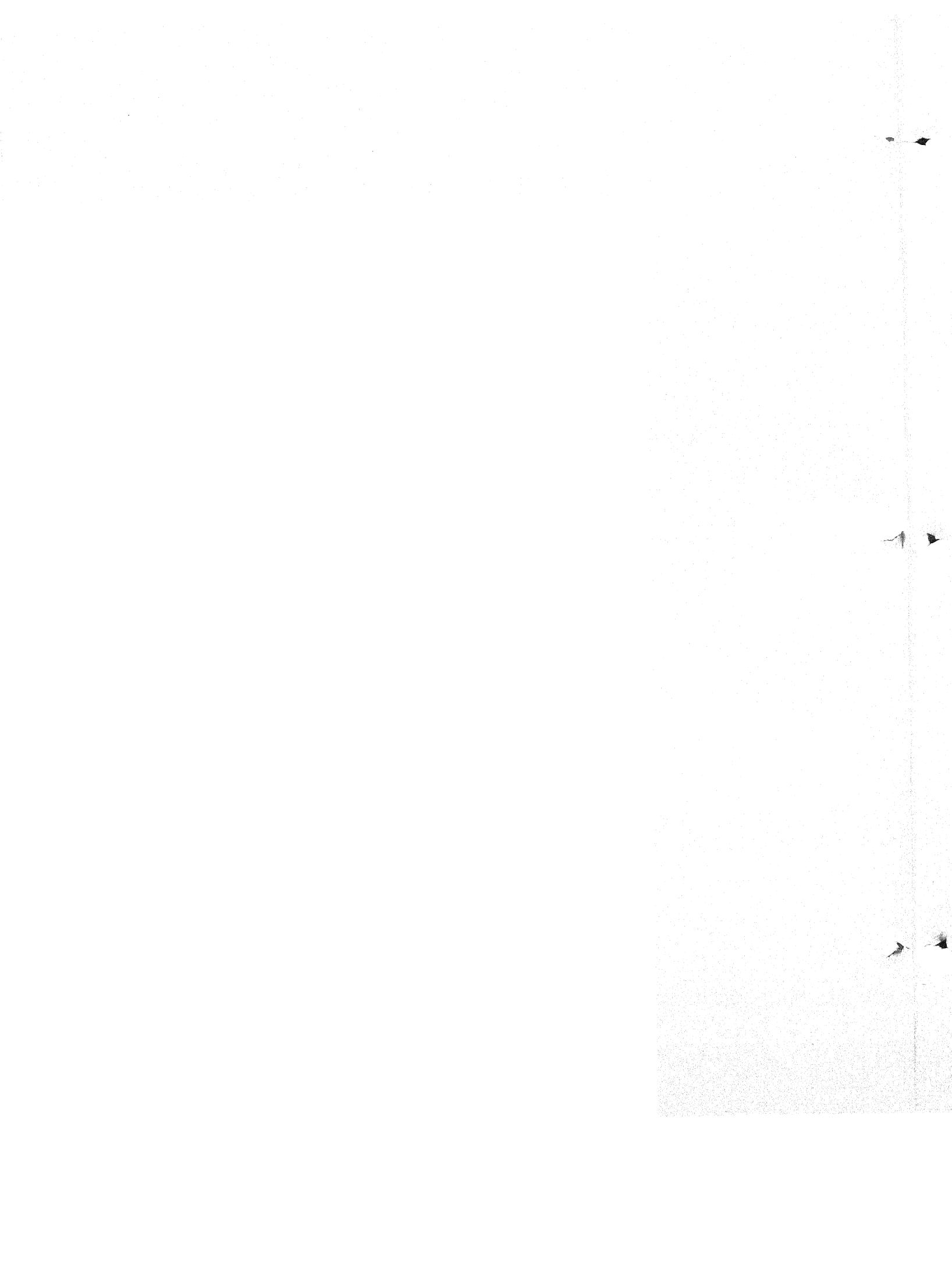
31. For instance, the MRTP Commission in its Report (1973) on Hindustan Lever's application for manufacture of Sodium Tri Poly Phosphate (STPP), suggested that the company should earmark a certain percentage of its STPP production for sale to outside parties. It was also suggested that from the production at Haldia, the company should meet the requirements of STPP for its Garden Reach Factory at Calcutta only. The company's Annual Report for the year 1981, however, shows that captive consumption accounts for 91.9 per cent of total sales of 20,431 tonnes of STPP during the year. In the absence of information whether any condition regarding supply of STPP to other producers was actually attached to the licence issued to the company, it would not be possible to conclude whether the company had been violating any of the conditions attached. Similarly, a number of export obligations are imposed on licensees at the time of issue of licences. This is particularly true with regard to items reserved for the small scale sector, when produced by MRTP and FERA companies. It may be noted that the Secretary (Industry) during evidence before the Estimates Committee stated that complaints had been received in connection with the export obligation imposed on large companies in the case of tissue paper, hydraulic jacks, bolts, screws and duplicators, all reserved for the small scale sector. See INDIA, Estimates Committee (1980-81), Fourteenth Report, Small Scale Industries - Raw Materials and Marketing, p.121.

We do, however, hope that this study would contribute to a wider appreciation of the significance, relevance and limitations of the Industrial Licensing System in India. Additionally, the study could serve as a basis for discussion to consider alternative regulatory policies for planned national development.



CHAPTER-II

DATA AND COVERAGE



According to the Company Affairs Department, there were 54,955 non-Government companies in the country as on March 31, 1980. The estimated paid-up-capital (PUC) of these companies was placed at Rs.3,658.3 crores.¹ Of these, 8,225 companies were 'public limited' while the rest were registered as 'private limited' companies. Though the public limited companies were only 15 per cent in number, their share in the total PUC of all the non-Government companies, was nearly 75 per cent. Since the licensing system is essentially applicable to large sized companies, one can reasonably assume that the ILS would apply in the main to public limited companies. For, on an average the PUC of a private limited company is much smaller (Rs. 1.94 lakhs) than that of a public limited one (Rs. 33.45 lakhs).

The public limited companies in India have access to the Stock Exchange Markets and are permitted to invite public subscription of shares. Private limited companies are, generally speaking, closely held companies with restrictions on the right to transfer shares. Though it is not obligatory for a public limited company to get itself registered with Stock Exchanges, the larger companies, however, do register themselves at one or more of the Indian Stock Exchanges. The total number of companies registered with atleast one of the nine stock exchanges of India was 2,133 only, out of the total of 8,225 public limited companies.²

Selection of Companies

Out of the 2,133 companies registered on the Stock Exchanges in 1979 a considerable number of companies have been dormant or

1. Cf. INDIA, Ministry of Law, Justice & Company Affairs, Directory of Joint Stock Companies in India 1980 (Volume One), 1982, Statement VII, p. xi.
2. Cf. Bombay Stock Exchange Official Directory, Weekly Replacement No.XIV/37(2/2) dated September 15, 1980, p.3.

have merged, or have been nationalized or closed down for various reasons. The Bombay Stock Exchange Official Directory³ (hereafter referred to as the Official Directory) reports on companies listed on Indian stock exchanges and a few others even though these were not listed on any Stock Exchange. The companies covered in the Official Directory have been taken as the 'universe' of the present Survey of industrial capacities.

Out of the companies covered in the Official Directory, the companies which did not report holding of any industrial licence, or did not undertake manufacturing activity, were excluded for obvious reasons. Also, a number of companies were excluded because of problems arising out of non-comparability of data. These cases were mainly in textiles, jute and sugar industries. A few companies also got excluded because they did not report on their production and capacity data as they claim to have obtained exemption from the Company Law Board from disclosing the information.⁴ As the objective of the Survey was to assess the degree of adherence, by the undertakings, to the licensed capacities, such single product companies as obtained a licence only during the previous year, (for a new article, substantial expansion or for carrying-on-business) were also kept out of the Survey. This exclusion was necessary, as we believe that one cannot always expect a company to start production and to reach a meaningful capacity utilization within the short period of a year. This exclusion may not be always justified; but this would help avoid overstatement of the idle industrial capacities in the economy. Similarly, cases where a reduction of licensed capacity took place during the year, either due to revocation or surrender of licences, were excluded to avoid wrong identification of violations of licensed capacities.

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3. Bombay Stock Exchange Official Directory is brought out in loose-leaf form and the replacements are issued periodically on the basis of broad industry groups. For each company reported the Official Directory provides a good deal of information and data on financial performance.
 4. Gujarat Steel Tubes Ltd. and Khandelwal Ferro Alloys Ltd. are cases in point. It may be noted that a number of

contd..

After excluding the companies which: (a) have not been reported on by the Official Directory;5 (b) obtained new licences or held licences which were revoked during the year; (c) were not engaged in manufacturing activity; and (d) were engaged exclusively in textiles, jute and sugar (where units of reporting of licensed capacity and production are generally not directly comparable) we were left with 760 industrial companies (of which 752 were non-Government public limited ones) which held 3,219 industrial licences.⁶ In terms of number of companies covered in the Survey, out of the total number of public limited companies operating in India, our sample covers only 9.15 per cent, i.e.

companies approach the Company Law Board expressing inability to provide data on turnover, licensed capacity, installed capacity, production, raw material consumption, stock position, etc. and seeking exemption under Section 211(4) of the Companies Act, 1956. During the period April 1, 1979 to March 31, 1980, 112 applications were considered by the Company Law Board out of which 100 were given exemption from providing the above information in their Profit and Loss Accounts. Cf. (Twentyfourth Annual Report on the Working and Administration of the Companies Act, 1956-Part I, published in Company News & Notes, Vol.XIX, No.3, March 1981. Section 211(4) of the Companies Act provides...that the "Central Government may, on the application or with the consent of the Board of Directors of the company, by order, modify in relation to that company any of the requirements of this Act as to the matters to be stated in the company's balance sheet or profit and loss account for the purpose of adopting them to the circumstances of the company." Cf. INDIA, Ministry of Law, Justice and Company Affairs, The Companies Act, 1956 (As modified up to the 1st July, 1975), p.134.

5. There could be various reasons for it, e.g., non-receipt of the Company Reports, the companies having got merged, nationalized or lying dormant because of legal or other problems. There may also be companies which had not started their manufacturing operations and therefore did not report on their production structure.
6. Whenever more than one product was licensed through a single licence, we have treated those products as being manufactured under separate licences. The term 'licence' therefore refers to a product licence' in the study. If a company held five licences for the same product, for purposes of this study it has been treated as one licence of the combined capacity of the five. A company having a number of units in different parts of the country, manufacturing a single product, will be holding separate licences for each one of those units. But, the companies report only aggregate figures of the licensed and installed capacities and of actual production. Some of the implications of this practice are dealt with in detail in the Review chapter of the study.

752 out of the 8,225. These companies, however, account for more than two-thirds of the total paid-up capital of all non-Government public limited companies in India. Because of the non-availability of size-wise distribution of the companies listed with the Stock Exchanges in India, it is difficult to compare the Survey coverage in terms of the assets or turnover of the stock-exchange-quoted companies. One can, however, have a reasonably good idea of the character and coverage of the Survey, if one compares the size of paid-up-capital (PUC) of companies in the Survey with that of the size-wise distribution of all non-Government public limited companies, as on March 31, 1980.

Coverage of the Survey

Table-II.1 shows that the Survey covers only one company out of the 4,078 each having PUC of less than Rs. 5.0 lakhs. In terms of numbers, as well as the size of PUC, the coverage of the smallest size group of companies is negligible. This is quite reasonable as small companies even though they are public limited, do not usually register themselves with the Stock Exchanges and even if some do these would be normally exempted from the scope of the ILS. On the other hand, the Survey covers 375 companies, out of the total of 546 large companies, each with PUC of Rs.1.0 crore and more. The coverage of the large companies in terms of PUC is 93.4 per cent. This, however, may not represent the precise proportion of the companies covered in this range, since the reference year for the Survey is 1979 whereas the size-wise distribution of non-Government companies is as on March 31, 1980. Besides, there is a possibility for some degree of understatement in the PUC calculations for non-Government companies. The comparison is also subject to changes resulting from conversion of non-Government companies into Government companies, from public limited to private limited and vice versa, registration of new companies and liquidation of existing ones and raising of capital through bonus shares and

TABLE - II.1

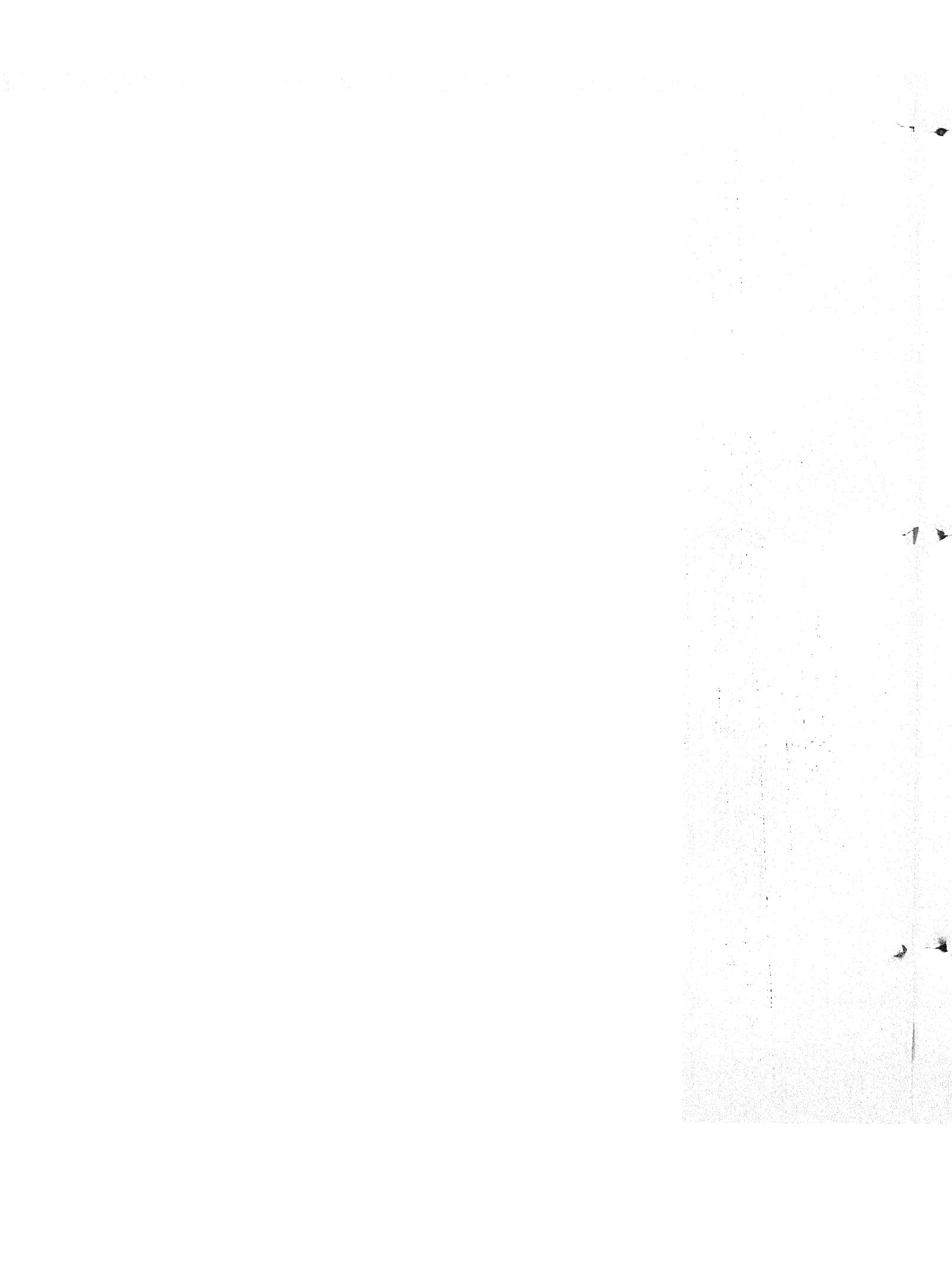
Showing the Relative Significance of the Companies
Covered in the Survey in Terms of Paid-up Capital
of Non-Government Public Limited Companies in India

S. No.	Size of Paid-up Capital	Total@		Companies in Capacity Survey		Coverage (%)	
		No. of Companies	PUC Rs.Cr. \$	No. of Companies	PUC Rs.Cr.	No. of Companies	PUC
				1	2	3	4
1.	Less than Rs.5 Lakhs	4,078	55.0	1	0.03	0.03	0.06
2.	Rs.5 Lakhs & less than Rs.10 lakhs	979	74.3	2	0.16	0.21	0.22
3.	Rs.10 lakhs & less than Rs.25 lakhs	1,332	211.9	57	10.86	4.28	5.13
4.	Rs.25 lakhs & less than Rs.50 lakhs	724	255.9	143	55.29	19.76	21.61
5.	Rs.50 lakhs & less than Rs.1 crore	566	349.4	174	123.03	30.75	35.22
6.	Rs.1 crore and above	546	1,805.0	375	1,685.19	68.69	93.37
	Total	8,225	2,751.5	752*	1,874.56	9.15	68.13

NOTES: @ Shashi Lal, "The Corporate Sector in India - As on 31.3.1980", Company News & Notes, Vol. xix, July 1981, No. 7, pp. 1-10.

* After excluding 17 companies which were included in the list of Government Companies as on March 31, 1979.

\$ PUC figures of the companies covered in the Survey for the financial year ending any time during 1979 have been collected from the Bombay Stock Exchange Official Directory.



public issues.⁷ The precise assessment of the representative character of the Survey is also difficult because of the absence of a break-up of companies under manufacturing and non-manufacturing categories. Table-II.1, therefore, provides a basis for a general view that the present Survey does cover a very large part of the organized private sector of the Indian economy.

The extent of the coverage of the present Survey with reference to the top-20 Business Houses is given in Table-II.2. The assets of each House for the year 1979 are compared with the assets of the companies covered under the Survey. In terms of assets the coverage of the Birla House is nearly three-fourths and for the Tatas the coverage is 70 per cent. For two Houses, namely, Scindia and Modi, the asset figures collected by us happen to be higher than those reported to Parliament for the year 1979. This difference could be because of a few companies of the Houses having been either excluded, or because at the time of reporting to Parliament the asset figures were not available.⁸

7. A certain degree of confusion is evident in the fact that while the Official Directory (No.XIV/37(2/2) dated 15th September 1980) places non-Government public limited companies at 8,900 as on December 31, 1979 with a PUC of Rs. 3,120 crores, the Company Affairs Department placed the number of such companies at 8,225 with a PUC of Rs.2,751.5 crores at the end of March 1980.
8. The Official Directory reported that the assets of Scindia Steam Navigation Co. Ltd. stood at Rs. 218.35 crores on June 30, 1979, which is higher than the assets reported by the Government for the Scindia House for the year 1979. Similarly, we find that the reported assets of companies belonging to the Modi House were: Modi Industries Ltd.- Rs.30.93 crores (as at March 31, 1980). The company did not close its financial year during 1979; Modipon Ltd.- Rs. 43.62 crores (as on February 28, 1979); Modi Carpets Ltd.- Rs.12.25 crores (as on December 31, 1979); Modi Rubber Ltd.- Rs. 55.96 crores (as on October 31, 1979); and Modi Spg. & Wvg. Mills Co. Ltd.- Rs. 39.01 crores (as on April 30, 1979). The total assets of these five companies turn out to be Rs. 181.77 crores which is higher than the reported total assets of Modi House at Rs. 177.08 crores. We believe there may be similar problems in the case of other Houses as well.

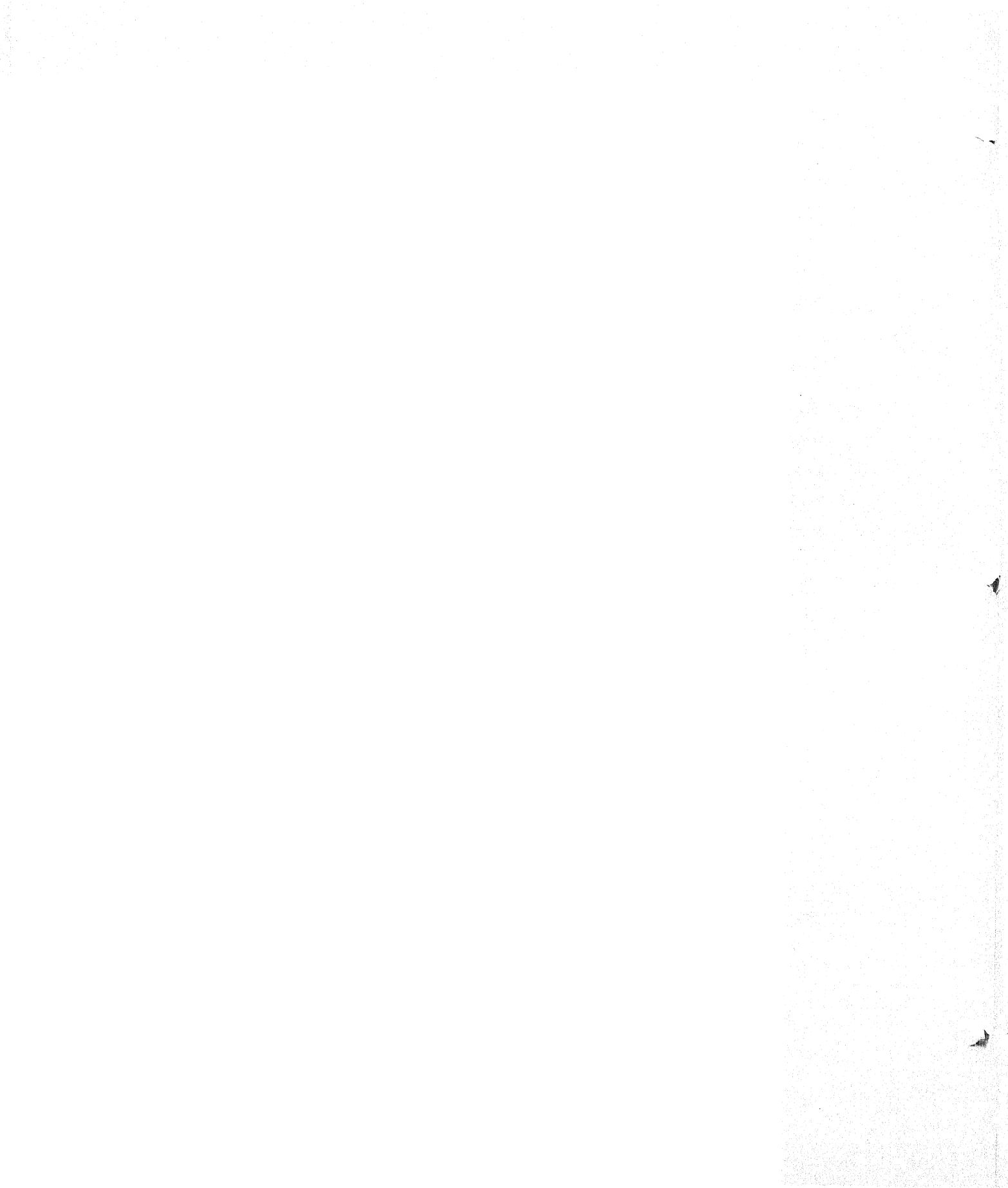
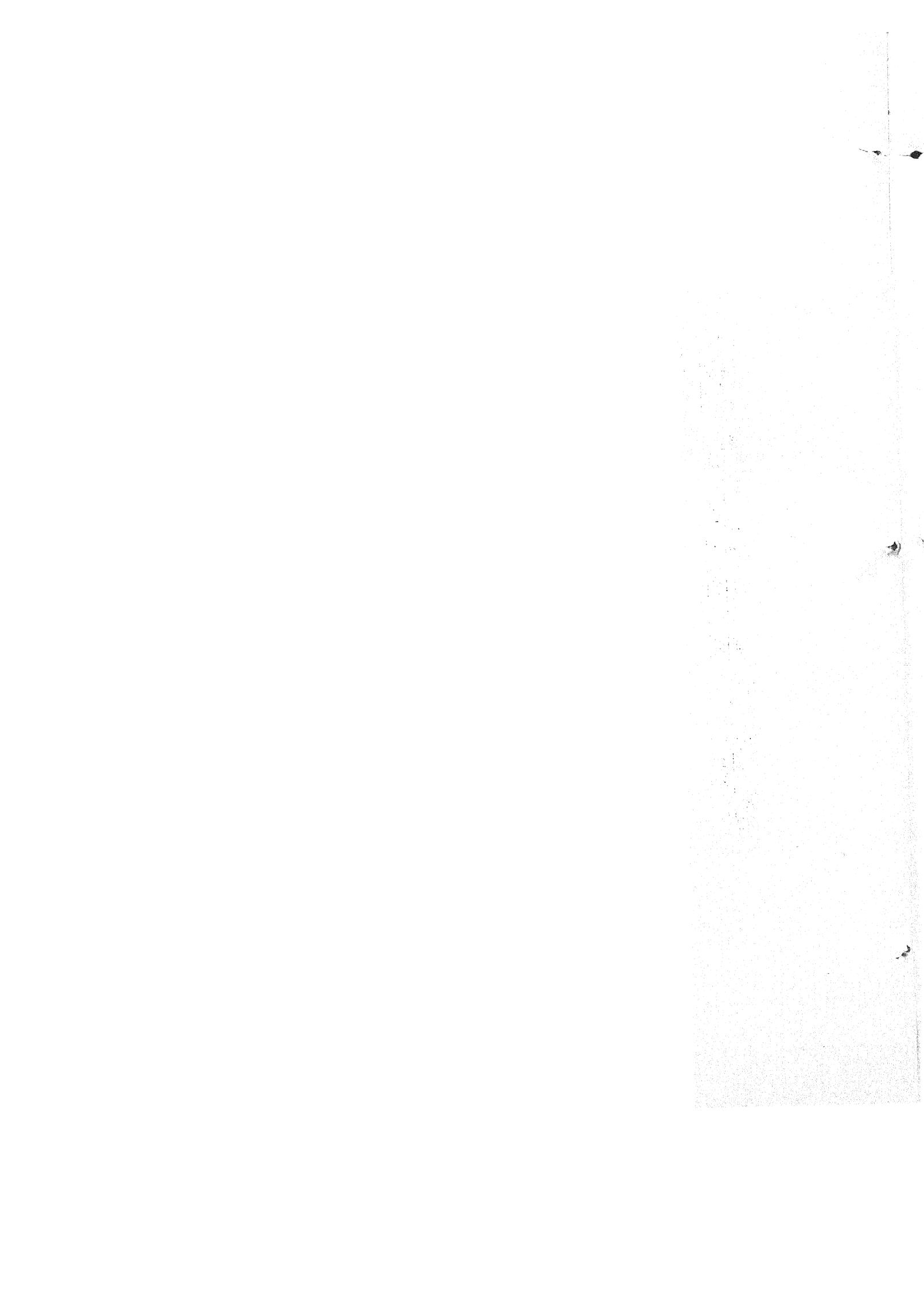


TABLE-II.2

Showing Coverage of the Companies in the Capacity Survey
in Terms of the Share in the Assets of Top 20 Houses

(Assets in Rs. Crores)

S. No.	MTP House	Total Assets	Assets of companies examined for purpose of inclusion in the Capacity Survey	Assets of companies included in the Capacity Survey	% of the House in terms of the Assets of Top 20 Houses	Examined (3)/(2)	Included (4)/(2)
1	2	3	4	5	6		
1.	Birla	1,309.99	1,197.04	977.08	91.4	74.6	
2.	Tata	1,309.38	1,112.67	921.53	85.0	70.4	
3.	Mafatlal	371.06	335.61	293.16	90.5	79.0	
4.	J.Y. Sanghani	352.53	328.62	310.08	93.2	88.0	
5.	Thapar	291.01	209.39	208.04	72.0	71.5	
6.	Sarabhai	249.52	85.61	85.61	34.3	34.3	
7.	Bangur	244.20	241.31	172.20	98.8	70.5	
8.	ICI	235.55	168.14	168.14	71.4	71.4	
9.	ACC	211.96	150.62	150.62	71.1	71.1	
10.	Oil India	211.27	39.70	39.70	18.8	18.8	
11.	Shri Ram	208.65	199.84	195.73	95.8	93.8	
12.	Scindia	205.95	218.35	0.00	106.0	0.0	
13.	Kirloskar	191.91	184.37	183.19	96.1	95.5	
14.	Hindustan Lever	187.80	184.32	169.13	98.1	90.1	
15.	Larsen & Toubro	185.48	122.36	122.36	66.0	66.0	
16.	Modi	177.08	181.77	169.52	102.6	95.7	



(Assets in Rs. Crores)

S. No.	MRTP House	Total Assets	Assets of companies examined for purpose of inclusion in the Capacity Survey	Assets of companies included in the Capacity Survey	% of the House in terms of the Assets of Companies	Examined	Included	(3)/(2)	(4)/(2)
1	2	3	4	5	6				
17.	Chowgule	172.59	143.04	2.02	82.9	1.2			
18.	Bajaj	168.61	141.80	128.61	84.1	76.3			
19.	Lalbhai	165.98	155.80	72.24	93.9	43.5			
20.	Bhiwandiwalla	168.17	161.74	0.00	96.2	0.0			
Total of the 20 Houses		6,618.69	5,562.10	4,368.96	84.0	66.3			

Notes:

1. Col.2 is based on the reply to the Rajya Sabha Starred Question No.117 answered on 24.8.1981.
2. Cols.2 & 4 are based on the asset data given in the Bombay Stock Exchange Official Directory.
3. The difference between the examined (Col.3) and included (Col.4) represents the assets of those companies which were excluded because of non-manufacturing character of the companies or the companies which did not have licences that can be compared in terms of licensed, installed and production.



Data Collection

Under the provisions of Paragraphs 3 and 4 of Part II of Schedule VI to the Companies Act 1956 (as modified), each company is under obligation to furnish information regarding the licensed and installed capacities, and the actual production of the goods manufactured by the company during the reporting year. In most of the cases, the Official Directory gave company-wise information on this aspect. However, since we have built up a Library of Balance Sheets covering more than 2,000 companies, it was possible for us to double check the capacity data from the company Annual Reports in all important cases. There were a few cases where the information given in the Official Directory was different from that of the Company Annual Reports. The differences arose both because of problems of interpretation as well as typographical errors. We have, for purposes of the Survey, gone by the Annual Reports which are the primary source for the Official Directory as well.

The primary question under examination is with regard to the 'follow-up' action taken by the licensees. With this objective, for purposes of the Survey, information and data were collected with regard to: (a) the product produced and the unit of measurement; (b) capacity as licensed; (c) capacity as installed; and (d) actual production.⁹ The data refer to the financial year of the companies ending any time in 1979. If, for any company,

9. The licensed and installed capacities are taken as reported by the licensee companies. No adjustments for shifts have been made since it was up to the companies, and in their own interests, to get their licences endorsed on maximum utilisation basis as against per shift basis as per the Ministry of Industry's Press note dated January 28, 1975. If any company fails to get its licences endorsed in the said manner, it can only be surmised that it may have faced problems due either to the non-priority character of the industry or due to inadequate availability of raw materials or that the company was unwilling to accept any conditions regarding exports or distribution. The financial year of quite a few companies extended beyond twelve months and in some cases it was less than one year. In such cases the level of production, for purpose of analysis, has been taken for a twelve month period on a pro-rata basis.

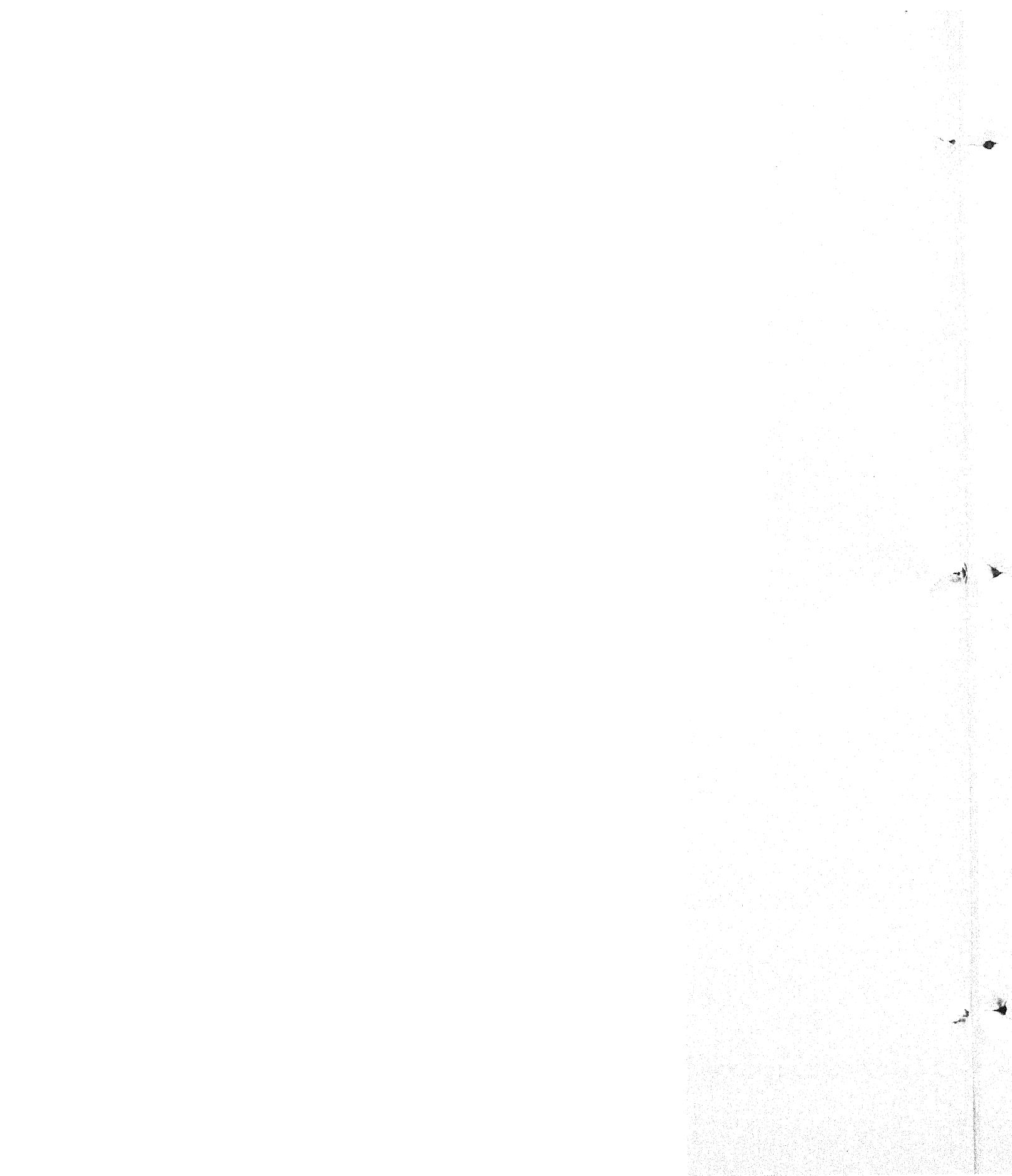
the financial year did not end in 1979, data was collected for 1980. Since in a number of cases the capacities and production data were not reported in comparable terms, a general rule for inclusion of a licence in the Survey that comparison of either installed capacity or production with licensed capacity should be possible was followed. Thus, out of the 3,219 licences studied we find that the ratio of installed capacity to licensed capacity could be calculated in the case of 3,105 licences. Thus, out of the 3,219 licences for which data was collected, we could calculate installed to licensed capacity ratio in the case of 3,105 licences; production to installed capacity ratio in the case of 2,751 licences; and production to licensed capacity in the case of 3,078 licences.

The present study is based on the information and data as disclosed by the companies themselves and publications of non-government and government organizations. No private or confidential information has been included in the study. It is because of this that the Survey could not be extended to most of the private limited companies, partnership and proprietary undertakings, and factories which are operated as Branches of foreign companies, or companies which have not published their Annual Reports. While the coverage of the Survey was not affected significantly by the non-availability of company Annual Reports with us, the Review section, however, would have been richer if we could have had access to the Annual Reports of private limited companies as well.

A major shortcoming of the Survey is that it depends wholly on the company Annual Reports. It is well known that the Annual Reports are presented after a considerable degree of 'window dressing'. The companies would, in case of any doubt, also consult their legal experts. It is not certain if the information and data made available by the companies is in full conformity with reality. The Survey results are, therefore, wholly based on the version of the private sector company managements.

CHAPTER-III

SURVEY OF INDUSTRIAL CAPACITIES



The capacity Survey covers 769 companies and except for 14 of them, each one is listed on one or more of the Indian Stock Exchanges. While 752 of the 769 companies were under private managements, 17 companies included in the Survey are such where control and management has been taken over by Government.¹ The total number of industrial licences held by the 769 companies were 3,219. The licences are only in numbers and one should draw no conclusion on the pattern of capacity sharing by different groups or categories of companies. To illustrate, since the public sector-held licences number only 74 out of the 3,219, it does not follow that the public sector share in the country's industrial capacities was only 2.3 per cent. The significance of an industrial licence lies in the size of the capacity endorsed and not in the fact that it was one industrial licence. One licence of ten million units capacity would be ten times as significant as a licence for only one million units capacity of the same product.

After obtaining an industrial licence, the licensee has to procure and install plant and machinery, which would be of the permitted capacity. Once the capacities have been installed, one would expect the undertaking to begin production. Under the IDRA, the licensee is authorised to install capacities only within the limits prescribed by the licence. If a licensee is unable to install the capacities licensed within a reasonable period of time, the Government can revoke the licence. Under the present laws, a unit, once having installed the capacities,

1. It is not very frequent to find Government companies listed on the Stock Exchanges. However, if the management of a private sector company had been taken over by Government the company may come into the public sector and yet continue to be listed on the Stock Exchanges. It is because of this that companies like Biecco Lawrie, Cochin Refineries and Indo-Burmah have been included in the present Survey, and are treated as belonging to the public sector. Some others included were originally supposed to be in the Joint Sector but are now under public sector management.

is ordinarily under no obligation to actually produce or utilize the installed capacities upto any minimum level. The IDRA does provide the Government with some authority in this regard but the procedure is very cumbersome and time consuming.² Also, it must be recognized that there could be any number of reasons for a low level or even zero level of production by a licensee.

Implementation of Licences

Table-III.1 shows the "Installed to Licensed" ratio of the capacities for 3,105 licences.³ It appears that 7.0 per cent of the licences were such where the licensees had not installed any production capacity against the authorizations held by them. On the other hand, one finds that in the case of 619 licences (approximately 20 per cent of the total), the licensees had already installed higher capacities than those licensed.⁴ In 140 cases, the installed capacity was twice or more than that licensed. Nearly sixty per cent of the licences were reported to have been utilized to the extent of 75-100 per cent.

2. Cf. IDRA, Sections 15, 16 & 17.

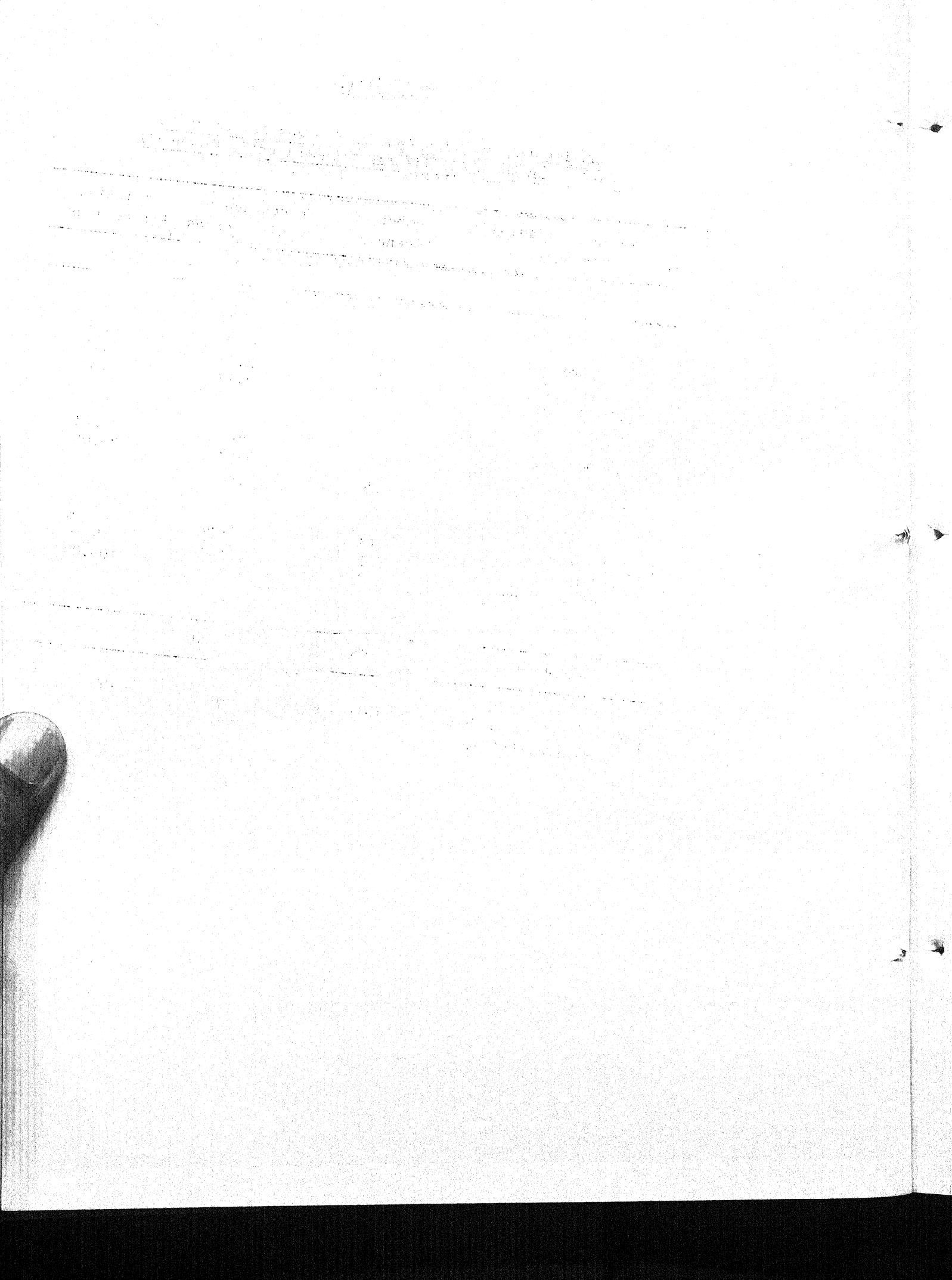
3. The number of licences covered is 3,219 but because of differing units of measurement for capacity licensed' and the 'capacity installed' as also the inability of the companies to report their installed capacities, 114 cases had to be excluded. For instance, Kirloskar Oil Engines reports, "Most of the Plant and Machinery being common for different products manufactured by the company and Installed Capacity being dependent on Product Mix, which in turn is decided by the actual demand for various products from time to time, and also on availing of sub-contracting facilities, it is not feasible for the company to indicate the exact installed capacity". (See the Company's Annual Report, 1979, p. 31.)
4. While reporting the licensed capacities, most of the companies did not make it clear whether the capacity as reported by them includes the effect of various liberalisations like automatic growth and facility to exceed the licensed capacity. A few companies like Escorts Ltd. (Annual Report, 1979, p. 37) and Duphar Interfran Ltd. (Annual Report, 1980, p. 13), however do state that the licensed capacities as reported include the impact of liberalisations wherever applicable.

TABLE-III.1

Showing the Distribution of Licences According to
Varying Levels of Utilisation (Installed to Licensed)

S. No.	Range of Utilisation (Percentage)	Number of Licences	Percentage of Total Licences	Cumulative Percentages
1	2	3	4	
1.	Zero	217	6.98	6.98
2.	1 to 25	70	2.25	9.23
3.	25 to 60	221	7.12	16.35
4.	60 to 75	151	4.87	21.22
5.	75 to 100	1,827	58.84	80.06
6.	100 to 125	275	8.86	88.92
7.	125 to 150	113	3.64	92.56
8.	150 to 200	91	2.93	95.49
9.	200 & above	140	4.51	100.00
Total		3,105	100.00	-

Note: 114 licences had to be left out because of problems of comparability.



A basic question that one needs to ask is: For whom is it, under the existing laws, to certify the fact of installation and the extent and level of industrial capacities actually established? Has this matter to be certified by a technical agency, a government department or a team of consultants? An answer to this question is provided by a 'footnote' which is often inserted in company Annual Reports where the utilization status of the licensed capacities is reported. A typical footnote runs as follows: "The installed capacities are as per the certificate given by the Managing Director on which the Auditors have relied, being a technical matter".⁵

It is quite natural to expect that the managements would lay claim to have installed capacities at the earliest possible juncture, in order to avoid any likely threat of revocation. Given the methodology of reporting, and the absence of any technical verification of the actual capacities, one can only say that the licences do appear to get implemented fast -- at least so far as the claims made by managements are concerned. The crucial question is: could this be otherwise? If an industrial licence has any significance for a licensee, would he not claim to have utilized it at the earliest? The managements would generally like to claim that they have implemented their licences fully -- and particularly so in the minimum possible time.

5. A few examples of the installed capacities being certified by the managements themselves are as follows:

Hindustan Lever (Annual Report, 1979) explains that "The installed capacities and permitted liberalisation of licensed capacities are as per certificate given by a Director, on which the auditors have relied". Century Spinning and Manufacturing Company (Annual Report, 1981) states that installed capacities are "Certified by the Management". Greaves Cotton & Co. (Annual Report, 1978-79) states that the installed capacities are "certified by the Management on which the auditors have placed reliance."

Utilisation of Installed Capacities

The installed to licensed capacity ratio could be fictional: firstly, because the fact of installation is certified by the managements and, secondly, because managements may not like to be known for a lack of capacity to implement licences. Therefore we feel that a better test of the degree of utilization of industrial licences would be provided by a comparison of the level of actual production with the reported level of capacities installed by the licensees covered in the Survey. The distribution of licences according to 'production to installed capacity' ratio is given in Table-III.2. Under this ratio, one finds 407 (i.e. 14.79 per cent) licences having a zero level of utilization. Apart from the more than one-seventh of the total licences having zero level of capacity utilization, (i.e. ratio of production to installed capacity), in another 24.14 per cent of the licences, the rate of capacity utilization was merely between 1-25 per cent. If we take 60 per cent capacity utilization to be the minimum that should be expected from private sector industries, it is found that in a little less than 65 per cent of the total cases, the Indian industrial sector is suffering from gross under-utilization of the installed capacities. It was only for around one-fourth of the cases that the capacities established were being utilized at levels of more than 75 per cent.

Private and Public Sector: Comparative Performance

The pattern and extent of capacity utilization in the private sector needs to be compared with the degree of capacity utilization in the public sector (See Table-III.3). According to the Bureau of Public Enterprises, out of the 131 central public sector units 62, (i.e. 47 per cent), had a utilization rate of more than 75 per cent. In respect of the private sector, only 24.54 per cent of the private-sector-held licences were being utilized at a rate of 75 per cent and more.

TABLE-III.2

Showing the Distribution of Licences According to the Extent
of Production in Terms of the Installed Capacity

S. No.	Range of Utilisation (Percentage)	No. of Licences	Percentage of Total Licenses	Cumulative Percentages
	1	2	3	4
1.	Zero	407	14.79	14.79
2.	1 to 25	664	24.14	38.93
3.	25 to 60	695	25.26	64.19
4.	60 to 75	310	11.27	75.46
5.	75 to 100	453	16.47	91.93
6.	100 to 125	130	4.73	96.66
7.	125 to 150	40	1.45	98.11
8.	150 to 200	32	1.16	99.27
9.	200 & above	20	0.73	100.00
Total		2,751	100.00	-

- Notes:
1. 251 cases had to be left out because of problems of comparability.
 2. Additionally, in 217 other cases, both installed capacity and production were zero.



TABLE-III.3

Showing the Distribution of Public Sector
Industrial Units According to the Range of
Capacity Utilization (1978-79)

S. No.	Range of Utilization (%)	Number of Units	Percentage of Total Units
	1	2	3
1.	More than 75	62	47
2.	50 - 75	42	32
3.	Less than 50	27	21
* Total		131	100

Source: INDIA, Bureau of Public Enterprises, Public Enterprises Survey, 1978-79, Vol.I, p. 166.



These facts cannot enable anyone to say, as indeed appears to be a widely-held belief, that the level of capacity utilisation in the private sector is in any way better than, or even favourably comparable with, that of the Central Government public sector undertakings. The efficiency of the private sector companies in terms of capacity utilization is extremely low. The private managements could, of course, argue that the rate of capacity utilization was low because of insufficient supply of raw materials and other essential inputs to be provided by the public sector and other constraints imposed by Government through controls and regulations. But it is odd that the problem of under-utilization in the public sector should be attributed to poor management while in the case of the private sector the poor level of capacity utilization should be claimed to be a result of the failure of the public sector to provide the necessary infrastructural support!⁶

Implications of Gross Underutilization

It is necessary to enquire into the basic causes of the disturbingly underutilized industrial capacities in the country's large-scale manufacturing sector. Continual under-utilization of capacity is uneconomic. It results in higher costs and ultimately higher prices. Also, the present state of affairs would suggest that excessive investments have already been made in most parts of the Indian industrial sector. Sharp increases in

6. The validity of such a claim on the part of the private sector would imply that the public sector is in effect a support sector for the former. To improve the level of capacity utilization in the public sector there is undoubtedly a need to take all necessary measures. But, why should not the same be expected of the private sector? Secondly, if the private sector, with gross underutilization of its industrial capacities, can make profits, what explains the losses of the public sector which has better capacity utilization? These and other related questions need to be discussed, but are outside the scope of this study.

Capital Output ratios for the Indian economy as a whole might be a reflection of this phenomenon.⁷ The immediate remedial action required would, therefore, be to regulate new investments in a far stricter manner than what has been the case so far. It is, however, assumed that with further restrictions imposed on the creation of additional capacities, the existing units would have to be brought under meaningful controls of production, distribution and prices. This is necessary to avoid a situation in which the state connives at existing undertakings exploiting consumers by indulging in monopolistic practices. It would follow also that units which have not established the licensed capacities, or have failed to take adequate advantage of licences issued to them, should be made to explain the causes for this and, where appropriate, surrender their licences.

Excess Capacities

Table-III.2 also shows that in about three per cent of the cases, the licensees were already producing far in excess of the installed capacities. It can be argued that this should be considered as an indication of their efficiency. But, given the character of the scrutiny and the fact that 'installed capacities' tend to be defined by the licensees themselves, one cannot draw very meaningful conclusions. It is equally possible that the installed capacities and the reported maximum level of production are both 'fictional' and bear no relationship with the licensed capacities.

Relation Between Production and Licensed Capacities

The third significant ratio is between the size of actual production and the capacity licensed. One can assume that this

7. Cf. INDIA, Planning Commission, Sixth Five Year Plan, 1980-85, New Delhi: Manager of Publications, 1981, p.2.

ratio provides a measure of the respect and consideration that the large organized corporate sector in India attaches to the ILS.8. Table-III.4 provides the distribution of surveyed licences, according to the range of actual production vis-a-vis the capacities licensed.

The conclusions emerging from Table-III.4 are somewhat similar to that of the Table-III.2. In more than two-thirds of the cases, the level of actual production was less than 60 per cent of the capacities licensed. The production level was in the range of 75-125 per cent of the capacities licensed only in respect of around seventeen per cent of the cases. An interesting feature of Table-III.4, however, is that the number of cases where production was in excess by more than 25 per cent of the capacities licensed, was 171 as compared to 92 licences where production was higher by more than 25 per cent of the installed capacities. In 344 cases, the installed capacity was higher than the licensed capacity by more than 25 per cent. (See Table-III.1).

Licensing and Under-utilisation

It is clear that whatever ratio one may take, the industrial sector presents a picture of gross under-utilization of capacities, and that the licensed capacities are not any indicator of the level of production that the industrial sector has acquired the capabilities for, or the level at which goods can be produced in an optimum manner. The licensing system has been liberal in allowing capacities to be established, without

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8. While interpreting the results of the Survey it may be kept in mind that the facilities for diversification are allowed in machine building industries which, for instance, permits production of machine tools against licensed capacity for machines.

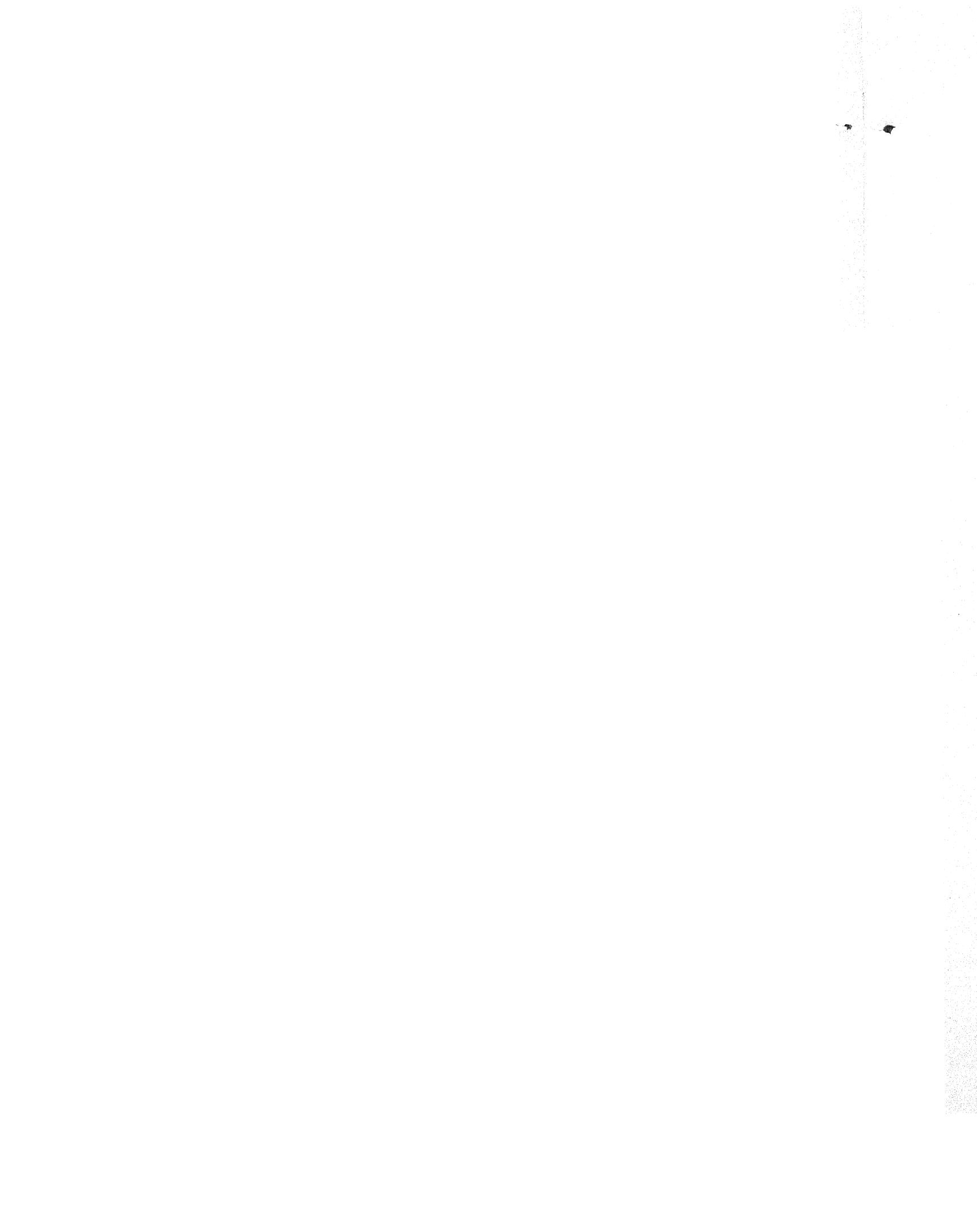


TABLE-III.4

Showing the Distribution of Licences According to the Extent of Production Against the Licensed Capacities

S.No.	Range of Utilization (%)	Number of Licences	Percentage of Total Licences	Cumulative Percentages
	1	2	3	4
1.	Zero	648	21.06	21.06
2.	1 to 25	762	24.76	45.82
3.	25 to 60	674	21.90	67.72
4.	60 to 75	289	9.39	77.11
5.	75 to 100	352	11.44	88.55
6.	100 to 125	182	5.91	94.46
7.	125 to 150	65	2.11	96.57
8.	150 to 200	42	1.36	97.93
9.	200 & above	64	2.07	100.00
Total		3,078	100.00	

Note: 141 cases had to be left out because of problems of comparability



ever ensuring that the licensees discharge their obligations to produce at a level which might reasonably be expected of them.

While on the one hand the ILS has been of little consequence in curbing the build-up of excessive installed capacities which remain grossly under-utilized it has also not been able to prevent its violations. The cases of capacity installation in excess of those licensed, or where production is in excess of the licensed capacity, are all indicators of the ineffectiveness of the ILS.

Industry-wise Utilisation of Licences

It may be useful to study the 'industry-wise' distribution of licences and to see if there are some industries wherein the level of actual utilization is better than in others. For this purpose each licence in the Survey was classified as per the CSO classification of certain economic activities.⁹ Since the assessments are only in terms of percentages, the distribution, as before, does not take note of the size and importance of the licences. Table-III.5 provides a distribution of the licences, according to the range of utilization (production to licensed) for various industry groups, and Table III.5(A) their percentage distribution.

Out of the 3,078 licences studied with regard to the ratio of production to licensed capacity, 806, (26.2 per cent), licences were in the 'chemicals and pharmaceuticals' industry, followed by the industry group 'machinery, machine tools and parts except electrical machinery', which had 715 (23.2 per cent) licences. On the other hand, 'leather' and 'wood product'

9. INDIA, Central Statistical Organisation, Common Product Nomenclature for Agriculture, Mining and Manufacturing Sectors, 1978.



TABLE-III.5

Showing the Distribution of Licences According to Industry
and Range of Utilization (Production to Licensed)

(Numbers)

S. No.	Name of the Industry	Total Licences	No. of Licences in Utilization Range						
			Zero (%)	1-25 (%)	25-60 (%)	60-75 (%)	75-125 (%)	125-200 (%)	200 & above (%)
1	2	3	4	5	6	7	8	9	
1. Food Products		91	18	24	19	10	11	4	5
2. Beverages and Tobacco Products		39	1	3	10	10	14	1	1
3. Textiles: Cotton, Jute, Woollen and Synthetics		54	3	7	12	10	17	4	1
4. Wood and Wood Products		13	0	2	8	3	0	0	0
5. Paper and Paper Products		79	11	12	23	10	19	4	0
6. Leather and Leather Products		6	1	2	2	0	1	0	0
7. Rubber, Plastic and Petroleum Products		110	13	22	30	12	21	11	1
8. Chemicals and Pharmaceuticals (Except Products of Petroleum & coal)		806	126	149	191	95	175	33	37
9. Non-Metallic Mineral Products		99	12	19	19	15	27	6	1
10. Basic Metals and Alloys		277	36	65	86	32	51	5	2
11. Metal Products and Parts, Except Machinery & Transport Equipment		178	49	56	39	10	17	5	2

Contd....



S. No.	Name of the Industry	Total Licences	No. of Licences in Utilization Range						
			Zero (%)	1-25 (%)	25-60 (%)	60-75 (%)	75-125 (%)	125-200 (%)	200 & above (%)
1	2	3	4	5	6	7	8	9	
12.	Machinery, Machine Tools & Parts Except Electrical Machinery	715	246	216	120	34	78	15	6
13.	Electrical Machinery, Apparatus and Appliances	383	64	123	80	31	69	11	5
14.	Transport Equipment	161	39	45	27	13	31	5	1
15.	Other Manufacturing Industries	67	29	17	8	5	3	3	2
All Industries		3,078	648	762	674	289	534	107	64

Note: The industry classification is based on Common Product Nomenclature for Agriculture, Mining and Manufacturing Sectors, published by the Central Statistical Organisation, Department of Statistics, Ministry of Planning, 1978.

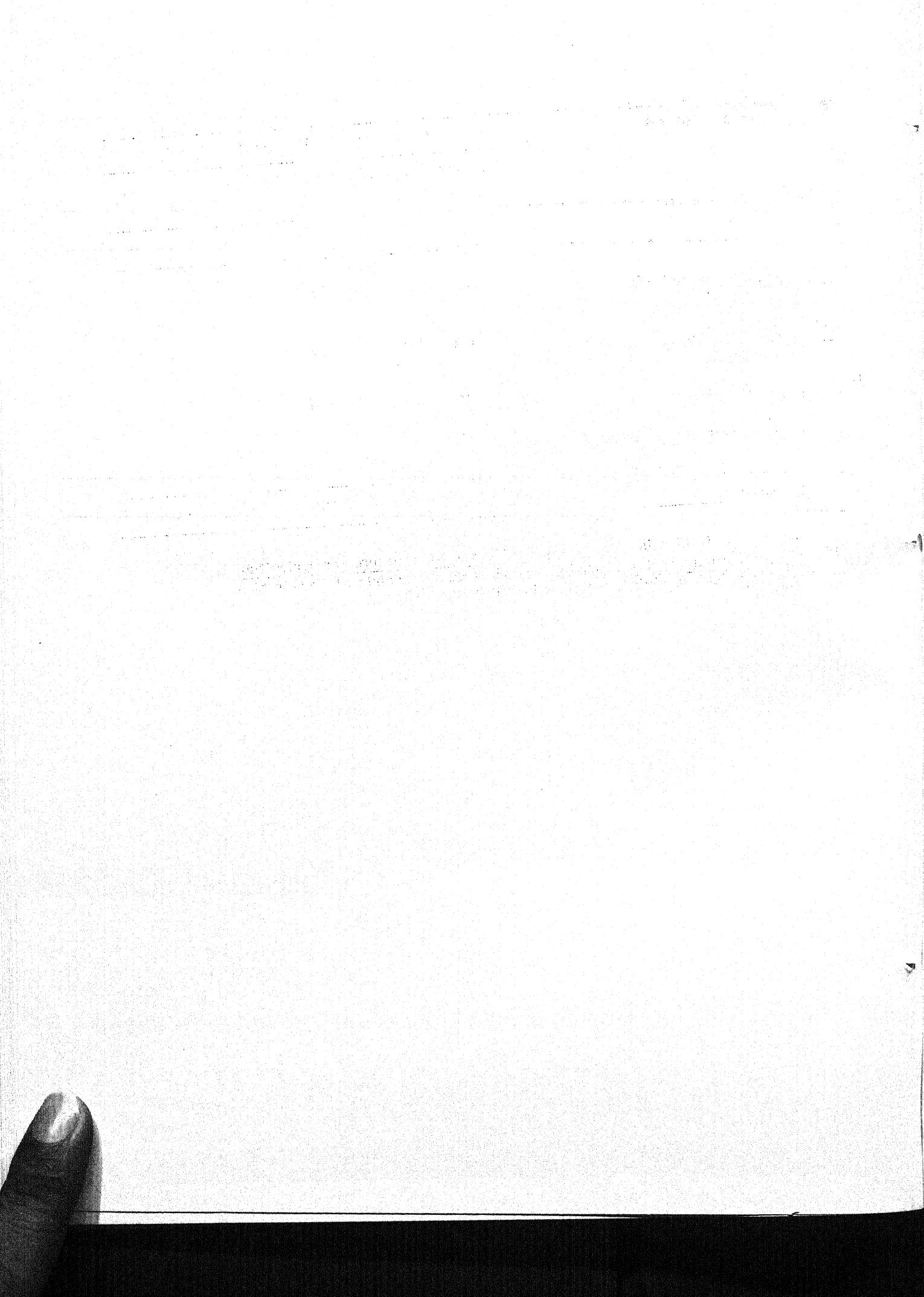


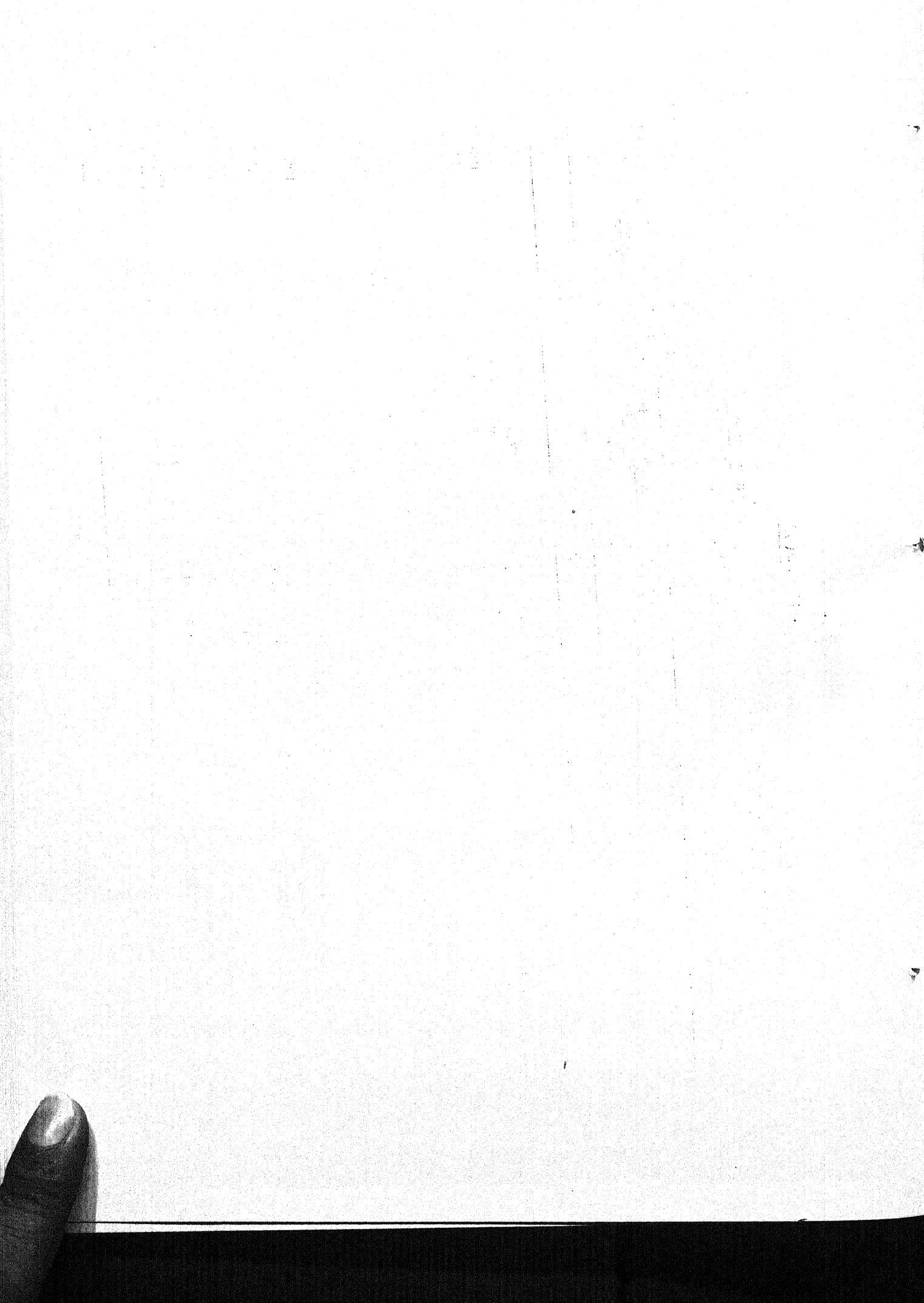
TABLE-III. 5(A)

Showing the Percentage Distribution of Licences in Each Industry According to
the Level of Utilisation (Production to Licensed)

(Percentages)

S. No.	Name of the Industry	Total Licences (No.)	Percentage of Licences in Utilization Range				Total Utilization (%)			
			Zero (%)	1-25 (%)	25-60 (%)	60-75 (%)				
1	2	3	4	5	6	7	8	9	10	
1. Food Products		91	19.8	26.3	20.9	11.0	12.1	4.4	5.5	100.0
2. Beverages and Tobacco Products		39	2.6	7.7	25.6	23.0	35.9	2.6	2.6	100.0
3. Textiles: Cotton, Jute, Woollen and Synthetics		54	5.6	13.0	22.2	18.5	31.5	7.4	1.8	100.0
4. Wood and Wood Products		13	0.0	15.4	61.5	23.1	0.0	0.0	0.0	100.0
5. Paper and Paper Products		79	13.9	15.2	29.1	12.6	24.1	5.1	0.0	100.0
6. Leather and Leather Products		6	16.7	33.3	33.3	0.0	16.7	0.0	0.0	100.0
7. Rubber, Plastic and Petroleum Products		110	11.8	20.0	27.3	10.9	19.1	10.0	0.9	100.0
8. Chemicals and Pharmaceuticals (Except Products of Petroleum & coal)		806	15.6	18.5	23.7	11.8	21.7	4.1	4.6	100.0
9. Non-Metallic Mineral Products		99	12.1	19.2	19.2	15.1	27.3	6.1	1.0	100.0
10. Basic Metals and Alloys		277	13.0	23.5	31.0	11.6	18.4	1.8	0.7	100.0
11. Metal Products and Farts, Except Machinery & Transport Equipment		178	27.5	31.5	21.9	5.6	9.6	2.8	1.1	100.0

Contd....



S. No.	Name of the Industry	Total Licences (No.)	Percentage of Licences in Utilization Range						Total Licences (%)
			Zero (%)	1-25 (%)	25-60 (%)	60-75 (%)	75-125 (%)	125-200 (%)	
1		2	3	4	5	6	7	8	9
									10
12.	Machinery, Machine Tools & Parts Except Electrical Machinery	715	34.4	30.2	16.8	4.8	10.9	2.1	0.8
									100.0
13.	Electrical Machinery, Apparatus and Appliances	383	16.7	32.1	20.9	8.1	18.1	2.9	1.3
									100.0
14.	Transport Equipment	161	24.2	28.0	16.8	8.1	13.2	3.1	0.6
									100.0
15.	Other Manufacturing Industries	67	43.3	25.4	11.9	7.4	4.5	4.5	3.0
									100.0
	All Industries	3,078	21.0	24.8	21.9	9.4	17.3	3.5	2.1
									100.0

Notes: 1. The industry classification is based on Common Product Nomenclature for Agriculture, Mining and Manufacturing Sectors, published by the Central Statistical Organisation, Department of Statistics, Ministry of Planning, 1978.

2. Total licences reported do not include 141 cases because of problems of comparability.



industries were poorly represented, with only 6 (0.2 per cent), and 13 licences (0.4 per cent), respectively. Whether one takes '60 per cent or 75 per cent, as the minimum desirable level of utilization, one finds that in 'wood products', 'leather products', 'metal products', 'industrial machinery' and 'other industries', the percentage of licences utilized below these desired levels were considerably higher than the corresponding all-industry percentages. The phenomenon of underutilization of licences was less widespread in industries like 'beverages and tobacco products', 'textiles', 'paper', 'rubber, plastic & petroleum products', 'chemicals & pharmaceuticals' and 'non-metallic mineral products' industries. On the other hand, the proportion of licences in an industry's total against which the level of production was more than double of the licensed capacity was higher in the case of like 'food products' (5.5 per cent), 'chemicals and pharmaceuticals' (4.6 per cent) 'beverages and tobacco products' (2.6 per cent), and 'textiles' (1.8 per cent) in comparison to the other industries.

Small Scale Reserved Items and Specially Regulated Industries

To know the real significance of excess production or causes of under-utilization, it would be necessary to go to a very disaggregated level, and one would have to relate the results with the sectoral policies followed and a variety of business trends. A number of relaxations to the ILS, have been introduced from time to time in the past. Leaving aside the cases where complete delicensing has taken place, one finds that the liberalizations have taken the form of (i) allowing automatic growth of capacity, (ii) diversification, (iii) permitting of excess capacity over those licensed instead of encouraging new entrants and (iv) regularisation of already built up excess capacities without taking any punitive action. Some of these concessions were simultaneously applicable to a number of industries. For instance, since 1975 automatic growth of

capacity, as well as excess capacity over licensed capacity were allowed in machine tools, switchgears, industrial machinery, power transformers, tractors, commercial vehicles etc.¹⁰ In addition to this, diversification was allowed to machinery and machine tool manufacturers and vice versa.¹¹ While liberalization has been the general trend, one finds that the list of the 'Industries Requiring Special Regulation' has been expanding. Textiles, milk foods, malted foods, roller flour milling, oil seed crushing, leather, matches and distillation and brewing of alcoholic drinks, are now designated as 'Industries Requiring Special Regulation'.¹² It is provided vide the Notification of February 1973 that the general exemptions from the ILS will not be applicable to these industries. The reasons for special regulation are stated to be "shortage of raw materials as also structural policies of Government".¹³ There are a number of cases even in these industries (that is "Industries Requiring Special Regulations") where the licensing system has been openly flouted. Appendix-I brings out some cases wherein the production level of the units was twice the licensed capacities.

Another important category of industries, from the point of view of the ILS, are those reserved for the small-scale sector. The liberalisations of the ILS, as per Government policy, are not available to constituents of the Large Houses or foreign

10. See schedules to the Notifications S.O. 474(E)/IDRA/29B/75 dated September 5, 1975 and S.O. 638(E)/IDRA/29B/75 dated November 1, 1975 of the Ministry of Industry and Civil Supplies (Department of Industrial Development).
11. See Press Note of the Ministry of Industry and Civil Supplies (Department of Industrial Development) dated January 25, 1975.
12. The list has been substantially expanded vide the Press Note of the Ministry of Industry, (Department of Industrial Development), dated April 2, 1982.
13. Ibid.

companies, unless accompanied by export obligations or other conditions stipulated by the government. The cases presented in Appendix-II illustrate the practice of substantial excess production by Large House companies in the areas reserved for small-scale industries. The products in which significant excess production was being undertaken include soap (Tata Oil Mills, Hindustan Lever, and Modi Industries), biscuits (Britannia) and safety pins (GKW). Our exercise for the identification of the items reserved for the small scale sector, from the information given in company Annual Reports, presented a few unavoidable problems. These are discussed in Chapter-IV of this study.

Case Study of Alcoholic Beverages Industry

To gain a better insight into the operation of the ILS it is worthwhile to study at least one industry which is classified as an 'Industry Requiring Special Regulation', and in which additional capacity creation has been banned since November 1975 and which, moreover, forms part of the category 'Beverages and Tobacco Products' in Tables-III.5 & III.5(A). The Ministry of Industry, vide its Press Note dated November 19, 1975, announced that it had been decided to ban creation of additional capacity or expansion of existing capacity, for distillation or brewing of alcoholic drinks, except in 100 per cent export-oriented cases, with a view to introducing prohibition. All industrial undertakings in this field which had already come into existence without having obtained an industrial licence under the provisions of IDRA, 1951, were required to obtain COB licences within a period of three months. The industry was also included in the list of 'Industries Requiring Special Regulation' as reported earlier. The industry continued to be in the list of specially regulated industries till as late as April, 1982.¹⁴

14. See Press Note dated April 21, 1982 of the Ministry of Industry (Department of Industrial Development). In the absence of withdrawal notifications after April 1982, it may be presumed that the industry continues to be specially regulated even now.

The Government had re-affirmed the continuation of the policy of ban in April 1981.¹⁵

For a detailed study of this industry in relation to the ILS, data on the major companies in this field, (selected on the basis of the Review of Annual Reports), including the ones covered in the Survey, was collected for the period of 1975 to 1982. The results of this exercise are presented in Table-III.6. The Annual Reports of the 19 companies in the industry reveal different facets of the implementation of the Government's policy with regard to alcoholic beverages. As many as twelve out of the nineteen companies had a much higher level of production than their licensed capacities. The most interesting cases were of Kalyani Breweries (83.8 per cent excess production), Hindustan Breweries (53.0 per cent excess), Mysore Breweries (48.8 per cent excess), Kesarval Beverages (44.9 per cent excess), Kay Distillery (32.3 per cent excess) and Skol Breweries (30.6 per cent excess).¹⁶

While in the case of United Breweries the licensed capacity has been fixed at 1,16,000 hecto litres against its unlimited capacity, as reported by the company itself till 1977; in the case of Mohan Meakin, a dominant producer of beer registered under the MFTP Act, no specific capacity was reported by the company till 1981. Even in 1982, the company reported a licensed capacity of 10,591 hecto litres with a qualification 'as per available licenses'. Similarly, Shaw Wallace and its subsidiary

15. See Press Note dated April 1, 1981 of the Ministry of Industry, (Department of Industrial Development).

16. It may not be out of place to quote ILPIC's findings in the case of beer. The Committee observed "In the case of Beer, the policy of the Government was not to approve any additional capacities, and the product continued to be on the 'Banned List' from December 1961 till December, 1966. Yet, M/s. Mohan Meakin Breweries who were licensed for 4091 K.Litres actually produced 9180, 8718, and 8391 K. Litres during 1965, 1966 and 1967 respectively". See ILPIC Report (Main), p.94.

Showing the Effects and Implementation of the Ban on Creation
of Additional Capacity for Distillation and Brewing of Alcoholic Drinks

S. No.	Name of the Company	House Association	Product Reported	Unit	Capacity Licensed (1979)	Maximum Production (1975-82)	Excess Production over Licensed Capacity(%)	Remarks
1	2	3	4	5	6	7	8	
1.	Arlen Breweries Ltd	Ghongule	Beer	HL	50,000	62,506 (1981)	25.0	..
2.	Carew & Co. Ltd.	United Breweries	Spirit	LPI.	N.A.	46,59,256 (1978)	..	The Company purchases rectified spirit for production of potable alcohol and reduction of strength for sales of country spirit.
3.	Hindustan Breweries & Bottling Co. Ltd.	Nerang	Beer	HL	50,000	76,481.8* (1980)	53.0	..
4.	Indo-Lionbrew Breweries Ltd.	United Breweries	Beer	HL	50,000	52,458 (1981)	4.9	..
5.	Kalyani Breweries Ltd.	United Breweries	Beer	HL	32,731.2\$	60,170.16 (1982)	83.8	The Company reported an installed capacity of 32731.2 HL in 1974, while in 1977 the reported capacity was 78,720 HL.
6.	Kay Distillers Inds.Ltd. Tata	Indian Made Foreign Liquor			Litres 11,00,000	14,54,795 (1979)	32.3	The Company has been reporting since 1979 that necessary sanctions to exceed licensed capacity had been obtained.

Cont'd....



No.	Name of the Company	House Association	Product Reported	Unit	Capacity Licensed (1979)	Maximum Production (1975-82)	Excess production over Licensed Capacity(%)	Remarks
1	2	3	4	5	6	7	8	
7.	Kesarval Beverages Ltd.	United Breweries	Beer	HL	15,000	21,730 (1981)	44.9	The company reported that it manufactures goods with machinery utilized under agreement with the owners who have certified its installed capacity at 30,000 HL.
8.	Maharashtra Distilleries Ltd.	Shaw Wallace	IMFL	'000LTS	See remarks	2,769 (1981)	..	The company has been reporting since 1975 that application had been made to the central Government for a "Carrying on Business Licence in terms of Notification No.S.O./657/(E)/TDRA/75-II dated 19th November, 1975.
9.	McDowell & Co.Ltd.	United Breweries	Potable Alcohol	Litres	10,89,600	1,51,00,059 (1981)	..	The company reported that the licensed capacity refers to one of its units and its applications for the C.O.B. licence for other units was still pending with the Authorities. It further stated that the reported actual production includes Alcohol produced and bottled out of purchased rectified spirit and this activity was not considered as manufacture under Industries (Development and Regulation) Act, 1951.
10.	Mohan Meakin Ltd.	Mohan Meakin	Beer	KLs	See remarks	27,722 (1979)	..	The company stated that one of its units was licensed without any limit and therefore no capacity was mentioned. The company, however, reported a licensed capacity of 10,591 KL (as per available licences) in its Annual Report, 1982.



S. No.	Name of the Company	Hou se Associate- or	Product Reported	Unit	Capacity Licensed (1979)	Maximum Production (1975-82)	Excess Production over Licensed Capacity(%)	Remarks
1	2	3	4	5	6	7	8	
11.	Mohan Meakin Ltd.	Meakin	Spirit	LPL	See remarks	1,18,86,000 (1981)	..	The company reported that one of its units was licensed without any limit and therefore no capacity was mentioned. The company, however, reported a licensed capacity of 1,40,52,208 LPL (as per available licences and excluding the figures for Nagaland Distillery taken on lease basis) in its <u>Annual Report, 1981.</u>
12.	Mysore Breweries Ltd.	..	HL	Beer	50,000	74,401 (1981)	48.8	The company increased its installed capacity by 15,000 HL in 1979 from an earlier capacity of 50,000 HL.
13.	Polychar Ltd.	Kilachand	Potable Liquor	HLs	Not Reported	3,051 (1976)	..	The company, however, reported a licensed capacity of 2,696 KL in its <u>Annual Report, 1981.</u>
14.	Premier Breweries Ltd.	United Breweries!	Beer	HL	50,000	55,300 (1979)	10.6	..
15.	Punjab Breweries Ltd.	United Breweries	Beer	HL	50,000	58,747 (1981)	17.5	..
16.	Sew Wallace Ltd.	Sew Wallace	Liquors + Wines	'000 LPLs	N.A.	7,826 (1981)	..	The company, however, has been reporting since 1975 that an application has been made to the central Government for a "Carrying on Business" licence in terms of Notification No.S.O.657(E)/IDRA/75-II dated 19.11.1975 for one of the company's units and since another unit of the company was licensed without any limit, no capacity was being mentioned.



S. No.	Name of the Company	House Association	Product reported	Unit	Capacity Licensed (1979)	Maximum Production (1975-82)	Excess Production over Licensed Capacity(%)	Remarks
1	2	3	4	5	6	7	8	
17.	Shree Krishna Cyanoday Sugars Ltd.	Sahu Jain	TMFL	IPL	See remarks	14,92,077 (1977)	..	The company has been reporting since 1975 that no capacity is determined in the licence.
18.	Sica Breweries Ltd.	Chidambaram	Beer	HL	50,000	45,835 (1980)	..	The company increased its installed capacity from 50,000 HL to 62,500 HL in 1978 and subsequently to 85,000 HL in 1980. Thus its installed capacity was increased by 70% during the ban period.
19.	Skol Breweries Ltd.	Shaw Wallace	Beer	HL	50,000	65,284 (1980)	30.6	The company increased its installed capacity from 62,500 HL in 1975 to 80,000 HL in 1976 and further to 94,500 HL in 1981. Thus its installed capacity was increased by more than 50 per cent during the period 1975-81.
20.	United Breweries Ltd.	United Breweries	Beer	HL	1,16,000	1,37,841 (1980)	18.8	Till 1977, the company was reporting that brewery was licensed without limit and therefore, no capacity was being reported. The company reported a licensed capacity of 1,36,000 HL in its <u>Annual Report, 1982</u> .

Notes : ^a N.A. Not applicable.

+ Maximum reported production during 1975-82, taking only those years for which information was available. Figures in brackets indicate the year in which maximum production was reported. We did not find any change in the licensed capacity of the companies during this period except in the case of United Breweries. In the case of Mohan Meakin and United Breweries the reporting of capacity has changed from unlimited to a specified quantity. Licensed capacities as reported in the Annual Reports for the year 1979 are presented in this Table.

* Actual production was reported as 1,17,51,048 bottles which was converted into HL by taking each bottle to be containing 650 ml.
\$ On two shift basis as for industrial licence.
! CIS classification



company, Maharashtra Distilleries, have been reporting merely that they had applied for COB licences, thereby implying that their cases were still pending with the Government. Shaw Wallace further confuses the issue by reporting 'Not Applicable' in the place specified for reporting the licensed capacity, while adding a foot-note regarding its COB application. This means that the company is remaining non-committal and thereby keeping its legal options, on the question of capacity, open. While Carew & Co., which produces potable alcohol and country liquor from purchased rectified spirit, claims that licensing is not applicable to it McDowell & Co., explains that production includes alcohol produced and bottled out of rectified spirit, which it claims was not considered as 'manufacturing' under the IDRA !

Expansion Despite Ban

Another point that comes out of the industry details, is that companies like Skol Breweries, Sica Breweries and Mysore Breweries reported an increase in their installed capacity while the official policy has been to allow no further expansion of the capacities. The case of Kay Distilleries is somewhat unique because it reported that it received sanctions to exceed licensed capacity, which would be contrary to the pronounced policy of the Government. It would have been possible to expect that the company might have been exporting 'Indian Made Foreign Liquor' on account of which it might have got the reported permission. But the company's Annual Reports for the years 1979, 1980 and 1981 do not show any export earnings.

It is evident from the above that the 'ban' only helped the existing companies to retain their hold on a protected market. The situation appears to have worsened because the already entrenched companies were expanding their capacities with little regard to the 'ban'. These companies had a fast expanding market as the declared national policy on prohibition was not

implemented. It appears, from what the companies claim, that in this industry licensed capacities had not been determined earlier in a number of cases. The manufacturers enjoyed virtually full freedom from the licensing provisions; the more notable cases in this regard were of Mohan Meakin, McDowell and Shaw Wallace. Could this have happened without the knowledge of the Central and State Governments? The fact cannot be overlooked that this industry attracts a high rate of excise duty. It is a legitimate expectation that the companies would have paid excise duty on the reported level of production. It is also generally believed that because of high rates of excise duty there is an unavoidable temptation to evade the duties, which in turn can provide substantial amounts of un-accounted money. Does this have some bearing on the fact that open violations of the policy can continue without attracting penal action? These issues are important and relevant but fall outside the scope of this study.

Industry-wise Utilization of Installed Capacities

Tables-III.7 and III.7(A) present the utilization pattern of installed capacities in various industries. Table-III.7 shows the number of licences in each utilization range. Table-III.7(A) shows the percentage distribution according to these ranges. It may be observed that out of the 2,968 licences studied, there were 217 cases (7.3 per cent), where no capacity had been installed and hence there had been no production. If one goes by numbers the largest number of wholly un-implemented licences was in the 'chemical industry' (62 licences) followed by 'machinery and machine tool industry' (49). However, the proposition of unimplemented licences to the total of the industry was not very different from the overall pattern. In the case of 'beverages and tobacco products', 'plastic, rubber and petroleum products' the proportion of un-implemented licences was distinctly lower, i.e. 2.7 per cent as against 7.3 per cent for the Survey.

TABLE-III.7

Showing the Distribution of Licences According to Industry
and Range of Utilization (Production to Installed)

S. No.	Name of the Industry	No. of Licences where installed capacity is zero	No. of Licences in Utilization Range						No. of Licences Studied	(Numbers)
			Zero (%)	1-25 (%)	25-60 (%)	60-75 (%)	75-125 (%)	125-200 (%)		
1	2	3	4	5	6	7	8	9	10	
1. Food Products		6	12	24	23	12	12	2	0	91
2. Beverages and Tobacco Products		1	0	3	11	11	13	0	0	39
3. Textiles: Cotton, Jute, Woollen and Synthetic		5	1	4	12	11	22	1	0	56
4. Wood and Wood Products		0	0	1	7	5	0	0	0	13
5. Paper and Paper Products		6	5	8	18	13	23	1	0	79
6. Leather and Leather Products		1	0	2	3	0	0	0	0	6
7. Rubber, Plastic and Petroleum Products		3	10	23	26	14	22	10	1	109
8. Chemicals and Pharmaceuticals (Except Products of Petroleum & coal)		62	60	143	193	107	195	19	9	783
9. Non-Metallic Mineral Products		5	7	17	21	12	34	1	0	97
10. Basic Metals and Alloys		20	16	58	82	24	62	5	1	268

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Contd...



S. No.	Name of the Industry	No. of Licences	No. of Licences in Utilization Range						No. of Licences Studied	
			where installed capacity is zero	Zero (%)	1-25 (%)	25-60 (%)	60-75 (%)	75-125 (%)	125-200 (%)	
1.		2	3	4	5	6	7	8	9	10
11.	Metal Products and Parts, Except Machinery & Transport Equipment	36	53	43	8	17	4	1		173
12.	Machinery, Machine Tools & Parts Except Electrical Machinery	184	174	120	39	83	14	4		667
13.	Electrical Machinery, Apparatus and Appliances	45	106	94	40	56	9	3		372
14.	Transport Equipment	10	21	31	32	12	33	3	1	143
15.	Other Manufacturing Industries	19	10	17	10	2	6	3	0	67
All Industries		217	407	664	695	310	583	72	20	2,969

Notes: 1. Industry Classification is based on Common Product Nomenclature for Agriculture, Mining and Manufacturing Sectors, published by the Central Statistical Organisation, Department of Statistics, Ministry of Planning, 1978.

2. Number of licences excludes the non-comparable ones. In all 251 cases had to be left out because of problems of comparability.

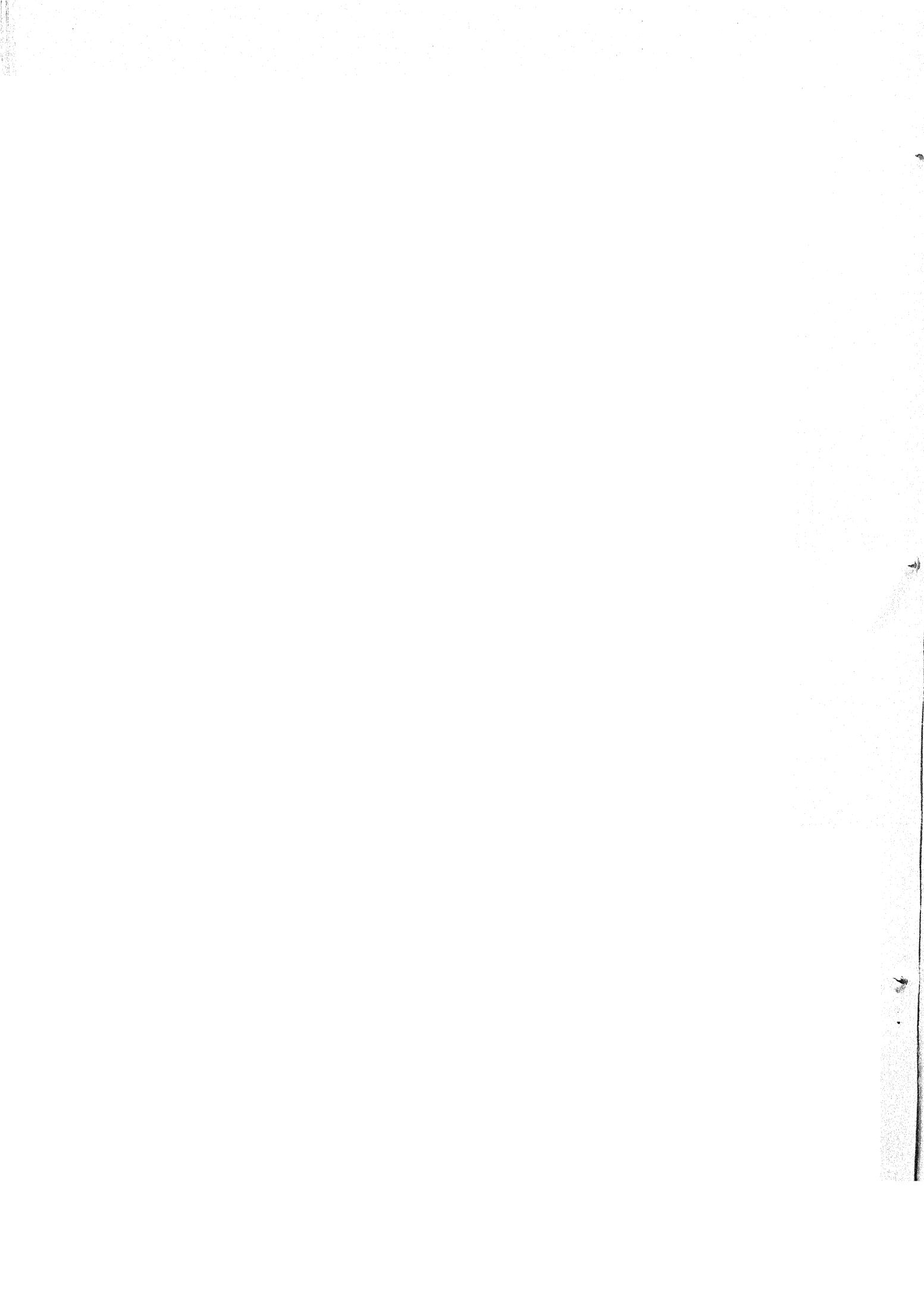


TABLE-III. 1(4)

Showing the Percentage Distribution of Licences According
to Industry and Range of Utilisation
(Production to Installed)

S. No.	Name of the Industry	Percentage of Licences in Utilization Range						Total Licences (No.)
		Zero (%)	1-25 (%)	25-60 (%)	60-75 (%)	75-125 (%)	125-200 (%)	
		200 & above (%)	Total					
1	2	3	4	5	6	7	8	9
1. Food Products		14.1	28.2	27.1	14.1	14.1	2.4	0.0
2. Beverages and Tobacco Products	0.0	7.9	28.9	28.9	34.3	0.0	0.0	100.0
3. Textiles: Cotton, Jute, Woollen and Synthetics	2.0	7.8	23.5	21.6	43.1	2.0	0.0	100.0
4. Wood and Wood Products	0.0	7.7	53.8	38.5	0.0	0.0	0.0	100.0
5. Paper and Paper Products	6.8	10.9	24.7	17.8	38.4	1.4	0.0	100.0
6. Leather and Leather Products	0.0	40.0	60.0	0.0	0.0	0.0	0.0	100.0
7. Rubber, Plastic and Petroleum Products	9.4	21.7	24.5	13.2	20.8	9.5	0.9	100.0
8. Chemicals and Pharmaceuticals (Except Products of Petroleum & Coal)	8.3	19.7	26.6	14.7	26.9	2.6	1.2	100.0
9. Non-Metallic Mineral Products	7.6	18.5	22.3	13.0	37.0	1.1	0.0	100.0
10. Basic Metals and Alloys	6.4	23.4	33.1	9.7	25.0	2.0	0.4	100.0
11. Metal Products and Parts, Except Machinery & Transport Equipment	22.2	32.7	26.6	4.9	10.5	2.5	0.6	100.0
12. Machinery, Machine Tools & Parts Except Electrical Machinery	29.8	28.2	19.4	6.3	13.4	2.3	0.6	100.0
								92

Contd...



S. No.	Name of the Industry	Percentage of Licences in Utilization Range						Total Licences (No.)	
		Zero (%)	1-25 (%)	25-60 (%)	60-75 (%)	75-125 (%)	125-200 (%)	200 & above (%)	
1	2	3	4	5	6	7	8	9	10
13. Electrical Machinery, Apparatus and Appliances	12.7	30.0	26.6	11.3	15.9	2.6	0.9	100.0	353
14. Transport Equipment	15.8	23.3	24.1	9.0	24.8	2.3	0.7	100.0	133
15. Other Manufacturing Industries	20.8	35.4	20.8	4.2	12.5	6.3	0.0	100.0	48
All Industries		14.8	24.1	25.3	11.3	21.2	2.6	0.7	100.0
									2,751

Notes: 1. The industry classification is based on Common Product Nomenclature for Agriculture, Mining and Manufacturing Sectors, published by the Central Statistical Organisation, Department of Statistics, Ministry of Planning, 1978.

2. Number of licences given in Col. 10 excludes the non-implemented and non-comparable ones. In all 251 licences had to be left out because of problems of comparability apart from 217 others in whose case both installed capacity and production were zero.

In the industry category 'machinery and machine tool industry', no production data was reported in nearly 30 per cent of the licences, even though the companies had reported installed capacities. Excluding the 'other industries' category, non-utilization of installed capacities was also significant in the case of 'metal products' (22.2 per cent), 'transport equipment' (15.8 per cent), 'food products' (14.1 per cent), and 'electrical machinery' (12.7 per cent), industries. More than 75 per cent utilization of the installed capacities was reported in the case of 45.1 per cent of licences in textiles, 39.8 per cent of the licences in 'paper and paper products', 38.1 per cent of the licences in 'non-metallic mineral products' and 34.3 per cent of the licences in the case of 'beverages and tobacco products', the corresponding all-industry figure being 24.5 per cent.

Licensee Category and Utilization of Licences

On the question of capacity utilization, it is often believed that since large companies have easy access to a wide range of resources (in terms of capital, manpower, technologies and information), these are the ones which would be able to install the licensed capacities in a shorter period vis-a-vis the small-sized companies. In a similar manner, it has been very often argued in the past that Large Industrial Houses and foreign companies with resource capabilities of a much higher level than of any relatively small company, are able to utilize their licences.¹⁷ One of the main factors in administering the ILS has generally been the Government's keenness to grant licences after assessing the applicant's capabilities to utilize the same. In view of this a hypothesis needing to be tested would be: that 'Large House and foreign-controlled companies' perform better in utilization of licences as compared with non-Large House and smaller companies.

17. See for instance, INDIA, Report of the Monopolies Inquiry Commission New Delhi: Manager of Publication, 1965, p. 7.

To test the above hypothesis, the 736 companies in the Survey were grouped according to their ownership and control characteristics.¹⁸ The share of companies thus grouped in the number of licences held by them and the extent of utilization (i.e. the ratio of production to the licensed capacity in terms of percentages) is given in Table-III.8. Firstly, companies registered under the MRTP Act were grouped as one category. Their total number was 269; of these, 60 companies were either dominant by themselves or were assessed as dominant along with their inter-connected undertakings.¹⁹ The 269 companies, registered under the MRTP Act, held 1,401 licences. Out of these, 234 licences remained wholly un-utilized since the companies do not report any production against these licences. Non-dominant but MRTP Act-registered companies (belonging to Large Industrial Houses) held 990 licences out of which 18.5 per cent (183 in number) were at zero level of production. One could, perhaps, exclude the 'zero level utilization' licences on the assumption that these licences, as a category, were non-starters, or that these were in the pipeline and production might not have started because of one or another reason.²⁰ Out of the

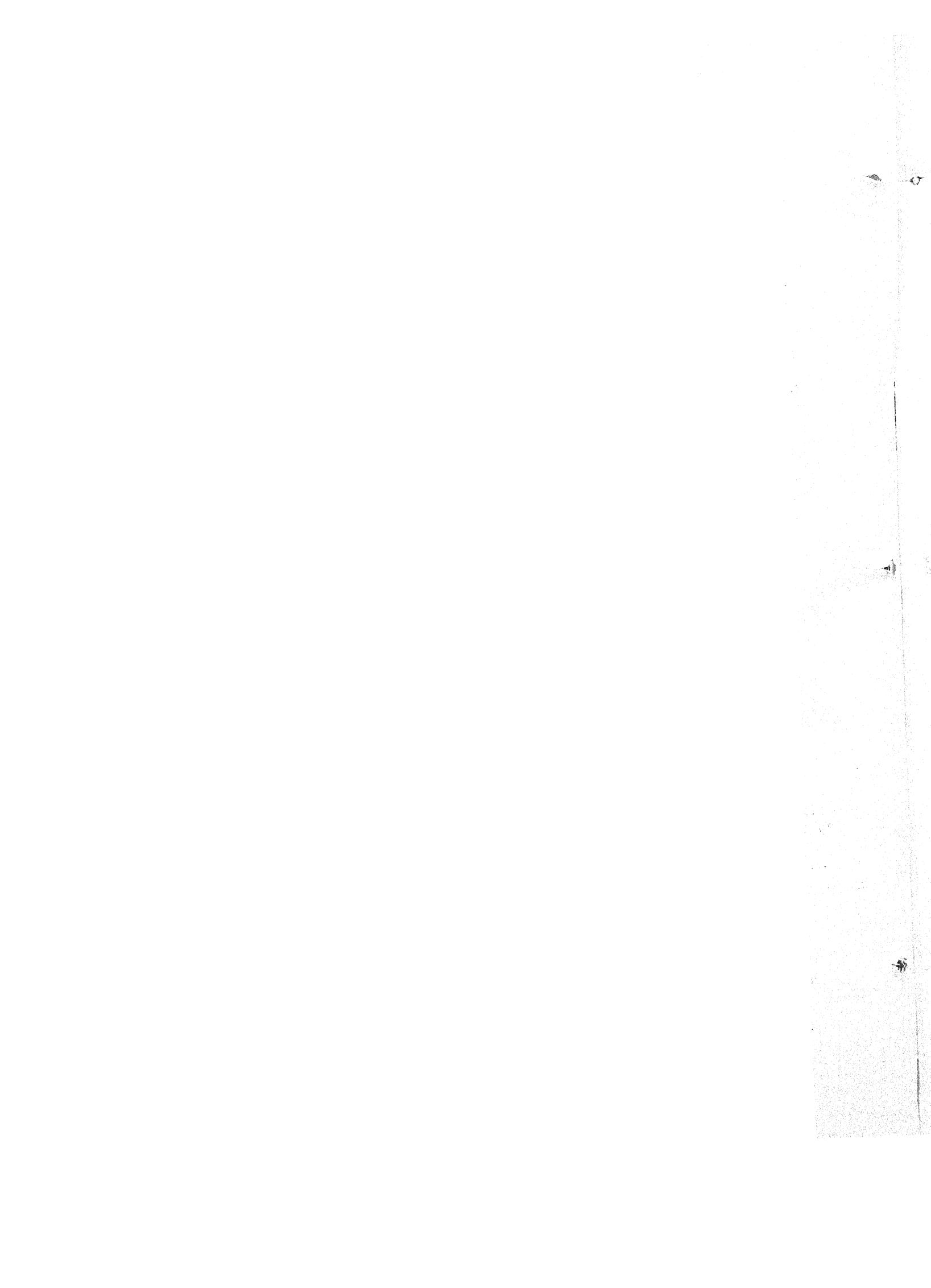
18. Excluding the 33 companies where production and licensed capacity could not be compared even for a single product.
19. Sub-Section 20a(i) applies to large undertakings which independently control assets of not less than Rs.20 crores; 20a(ii) applies to undertakings which along with other undertakings of the same group (GICU) control assets of not less than Rs. 20 crores; 20b(i) and 20b(ii) apply to undertakings which are dominant in some product line either independently or as GICU respectively. A company, however, might be attracting more than one sub-section.
20. For instance, Escorts has been reporting since 1975 (the earliest year for which we could get information) that the products (1) petrol graders, (2) hydraulic digger excavators, (3) hydraulic pumps, (4) hydraulic control valves and (5) hydraulic cylinders were "Under Development". The reporting has not changed even in 1981. (See Annual Report 1981, p. 67 of Escorts Ltd.). Similarly, National Radio & Electronics Co. (NELCO) has not been reporting any production or installed capacity against its licences for manufacturing (1) curve tracers, (2) multirange DVMS, (3) multirange analyse analogue voltmeters, (4) sine wave generators, (5) sweep generators, (6) square wave and pulse generators and (7) digital telemetering and telecontrol systems at least since 1977. The company reported in 1981, that "the schemes for which these licences have been received are under implementation" (See the company's Annual Report, 1980-81, p.21).

TABLE-III.8

Showing the Distribution of Licences According to the Licensee Category and the Range of Utilization (Production to Licensed)
(Numbers)

S. No.	Licensee Category	No. of Licences in Utilization Range				Total Licences Studied of the Group
		Zero (%)	1-25 (%)	25-60 (%)	60-100 (%)	
1	2	3	4	5	6	
1. MRTP Companies	234 (16.7)	312 (22.3)	289 (20.6)	353 (25.2)	1,401 (100.0)	
2. Dominant Undertakings	51 (12.4)	106 (25.8)	85 (20.7)	101 (24.6)	411 (100.0)	
3. Large Houses (CIS classification)	370 (19.4)	435 (22.8)	404 (21.1)	444 (23.2)	1,911 (100.0)	
4. Other Groups (CIS classification)	100 (26.4)	107 (28.2)	86 (22.7)	58 (15.3)	379 (100.0)	
5. Companies at present Under Public Management	13 (17.6)	20 (27.0)	20 (27.0)	19 (25.7)	74 (100.0)	
6. Former Branches & Sub- sidiaries (ILPIC) and FEPA Companies (1974)	105 (15.8)	146 (22.0)	123 (18.6)	165 (24.9)	663 (100.0)	
7. Other Companies with Foreign Equity of 25% and more (excl. 6)	44 (18.0)	59 (24.2)	57 (23.4)	54 (22.1)	244 (100.0)	
8. Other Companies with Foreign Equity between 10 & 25% (excl. 5 & 7)	45 (21.6)	55 (26.4)	58 (27.9)	36 (17.3)	208 (100.0)	
9. Joint Sector Companies	16 (18.8)	16 (18.8)	22 (25.9)	20 (23.5)	85 (100.0)	
10. Other companies	165 (23.1)	200 (28.0)	164 (23.0)	119 (16.7)	714 (100.0)	
All Companies	648 (21.1)	762 (24.8)	674 (21.9)	641 (20.8)	3,078 (100.0)	

- Notes:
1. The column totals will not add up to the 'All companies' total since there is naturally considerable overlapping between the groups. Therefore, each Group of Companies has to be treated as such.
 2. Number of licences reported exclude 141 non-comparable ones.
 3. Figures in brackets are percentages calculated with respect to the Group totals.
 4. See Appendix-III for the CIS classification of companies.



total licences held by the MRTP Act companies, 22.3 and 20.6 per cent respectively were in the 1-25 and 25-60 per cent (production to licensed capacity) ranges of under-utilization. For the Survey as a whole, the corresponding percentages were 24.8 and 21.9. For the non-Large-House companies and companies associated with foreign companies, the percentage of gross under-utilized (1 - 25 per cent utilization) licences was higher, i.e. 28.0 per cent compared to the 22.3 per cent for MRTP Act companies and 24.8 per cent for all companies included in the Survey. The difference is, obviously, a marginal one. The empirical evidence to sustain the view that Large House and foreign-controlled companies perform better at utilization of the industrial licences, is thus rather thin.

Dominant Undertakings and Under-utilization of Licences

The results of the Survey also show that many of the dominant undertakings, accounting for more than one-third of the national production were not utilizing their licensed capacities to the full. It may be interesting and useful to inquire into the reasons for low production in the units enjoying a dominant position in the product market. If an undertaking is dominant in a particular product and controls substantial output, the company may deliberately resort to under-utilization of the capacities, and the company decision may result in creation of an artificial scarcity of the product. Another way of examining excess or lower production would be to study all the cases of dominant undertakings. A limited investigation has been attempted in this regard.

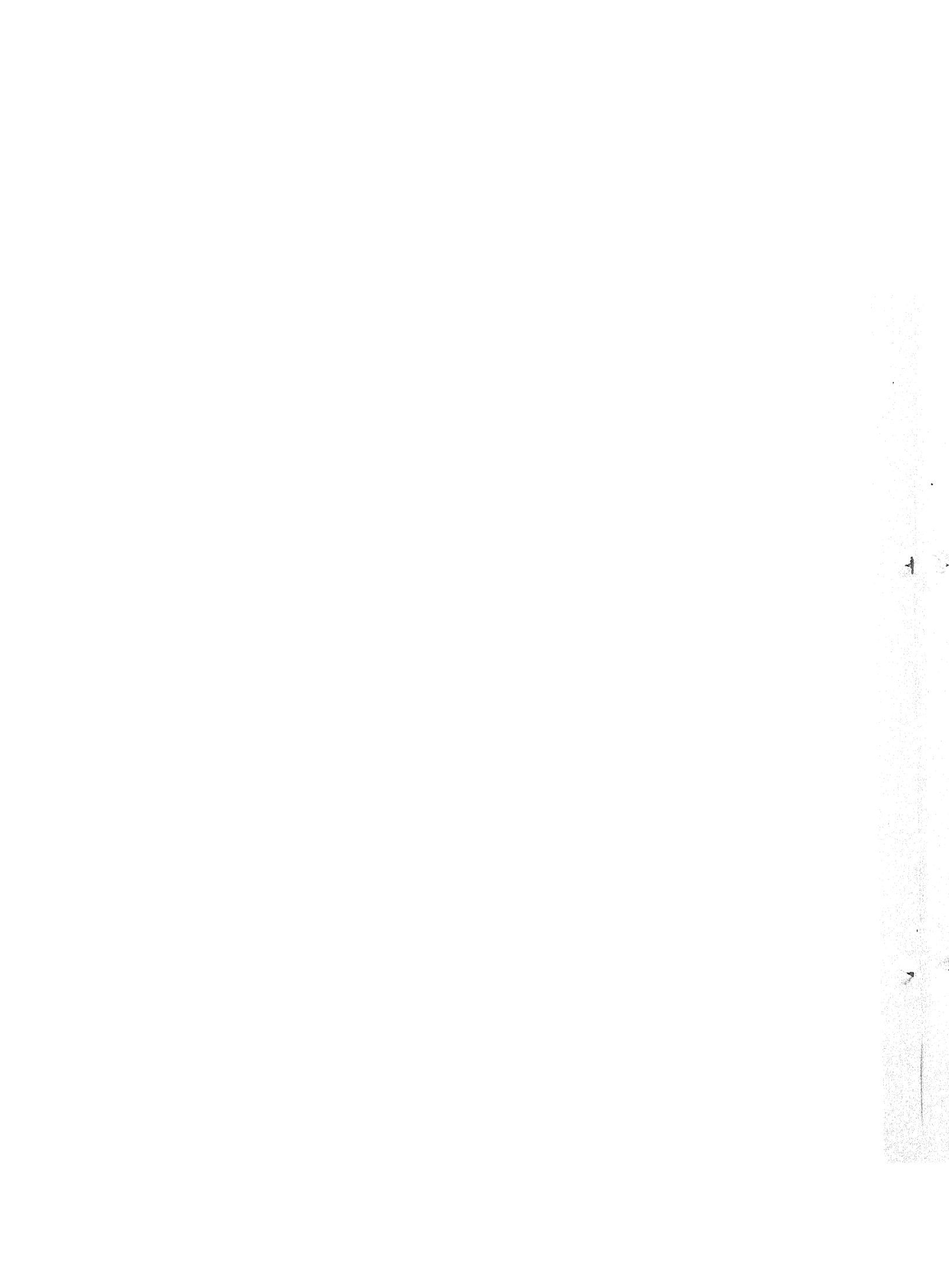
A dominant undertaking may not be dominant in all the products manufactured by it. We have attempted to identify the dominant line of production. A list of companies producing less than 60 per cent of the licensed capacities of products in which they were dominant is given in Table-III.9. The list includes

TABLE-III.9

Illustrative List of Dominant Undertakings Producing at Less than 60 per cent of Their Licensed Capacities (1979)

S. No.	Name of the Company	Product Groups in which dominant	Name of the product as reported in the Company's Annual Report	Utilization of the licensed capacity (%)
1	2	3	4	
1.	Alkali & Chemical Corp.	Rubber chemicals	Rubber chemicals and diphenylamine	37.5
2.	Hindustan Ferodo	Asbestos yarn, textile packings, jointing etc.	Ferrobestos sheets	24.0
3.	Hyderabad Asbestos Cement Products	Asbestos cement products	Asbestos cement sheets and pipe plants, steel moulds, spares and accessories	29.8
4.	MICO	Fuel injection equipment — do — — do — — do —	Elements Connecting Insulators Glow indicators Glow resistors	44.9 28.5 4.6 0.3
5.	National Engg. Inds.	Ball, roller & tapered bearings	Parallel roller bearings	8.5
6.	Sankay Wheel's	Wheels (Automobile)	Tractor wheels	40.2
7.	Synthetics & Chem.	Synthetic rubber	Nitrile rubber	44.6
8.	Usha Martin Black	Wire ropes	Locked coil wire ropes	38.3
9.	WMCO	Sodium/potassium, barium chlorates & perchlorates	Sodium, potassium and ammonium perchlorates	55.4

Note: Information on dominance is taken from the reply to the Rajya Sabha unstarred question No. 390 answered on 16.6.1980 and reported in the Company News & Notes, No. 7 Vol. XVIII, July 1980, p.48.



companies like Alkali and Chemical Corporation (ACCI), Motor Industries Co. (MICO) and WIMCO. Another list of dominant undertakings, registered under the MRTP Act, and which are producing at less than 60 per cent of their licensed capacities is given in Table-III.9(A). Chloride (I) presents an example of deliberate under-utilization. It may be seen that the company's production of containers and separators for sale accounts for only 1.7 and 0.2 per cent respectively of the corresponding licensed capacities. An enquiry under Section 10(a) (iv) of the MRTP Act was conducted for alleged "restricting of production of containers and separators withholding the essential components from the small scale units" by the company.²¹ The commission passed a 'cease and desist' order on December 5, 1980.²² This is an area for a thorough empirical investigation.

Utilization of Licences by Large Houses

Table-III.10 provides a distribution of licences according to the extent of utilization, (production to licensed capacities), by the top twenty Industrial Houses, (identified on the basis of the assets for the year 1979 as estimated by Government). The names of companies belonging to the Houses and covered in the Survey are given in Appendix-III.

It will be noticed from Table-III.10 that zero level of production was noticed in 28.8 per cent of the licences held by the Tatas, and in 22.7 per cent of the licences held by the Birlas. Production was not reported by National Radio & Electronics Co., a Tata House company for as many as 16 licences in the year 1979. Other companies belonging to Tatas and which

21. INDIA, Ministry of Law, Justice & Company Affairs, The Ninth Annual Report, pertaining to the execution of the provisions of the MRTP Act, 1969 for the period from 1st January, 1979 to 31st December, 1979. p. 126.

22. Ibid., Tenth Annual Report, p. 122.

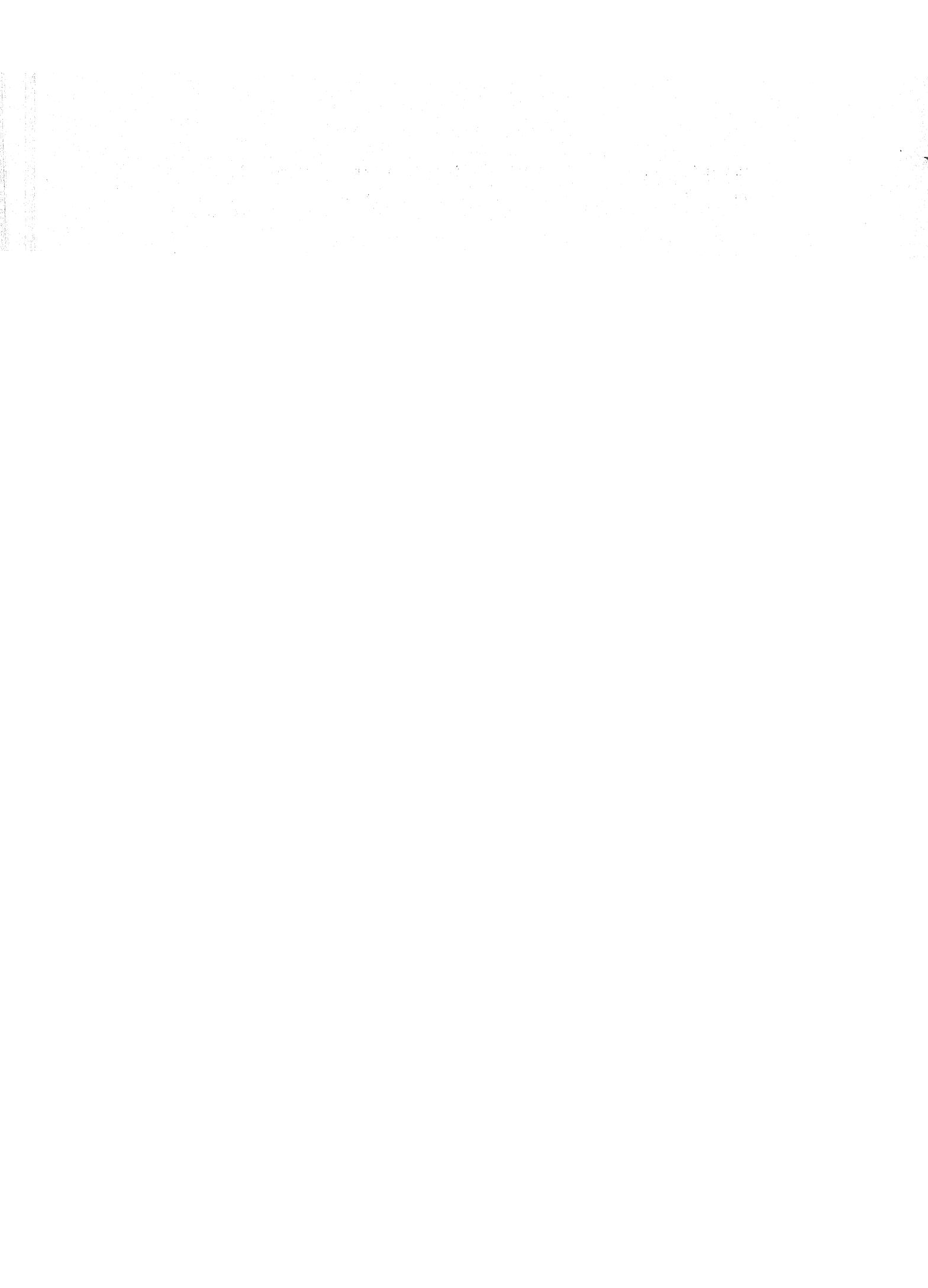


TABLE-III.9(A)

Illustrative List of other Registered Dominant Undertakings
Producing at Less Than 60% of Their Licensed Capacities (1979)

S. No.	Name of the Company	House Association	Name of the Product Reported	Utilization of Licensed Capacity (%)
1	2	3	4	
1.	Amines and Plasticizers Ltd	India Carbon	Ethanolamines	52.4
2.	Asiatic Oxygen Ltd	Soorajmull Nagarmull	Industrial & Medical gases MSCC rod Welding flux	35.2 0.0 0.0
3.	Automobile Products of (I) Ltd.	Chidambaram	Scooters & 3 - Wheelers	47.2
			Brake assembly Clutch driven plate assembly and driven plate assembly Brake linings Clutch facings Tie rod ends King pins	51.7 39.1 0.0 0.0 12.9 0.0
4.	Borax Morarji Ltd.	Dharamsi Morarji	Anhydrous Borax	0.1
5.	Caprihans (I) Ltd.	...	Polythene sheets & films Paper of all sorts	18.3 2.5
6.	Chloride (I) Ltd.	FERA	Containers for sale Separators for sale	1.7 0.2
7.	Citric (I) Ltd.	R.D. Soman	Citric acid	42.3

Contd. . .

S. No.	Name of the Company	Name of the Association	Name of the Product Reported	Utilization of Licensed Capacity (%)
1	2	3	4	
8.	Graphite (I) Ltd.	Bangur	Graphite electrodes, anodes and misc. graphite products	44.3
			Carbon paste	28.4
			Nuclear graphite	33.7
9.	India Carbon Ltd.	India Carbon	Calcined anthracite coal	0.0
10.	Nuchem Plastics Ltd.	...	Prescol glue	49.4
			Formaldehyde	56.3
			Tools	33.9
			Hydraulic Presses	18.0
11.	United Carbon (I) Ltd.	FERA	Carbon black	negligible*
12.	V.S.T. Tillers Tractors Ltd.	...	Power tillers	27.0
			Engines	0.9

* The company's unit was under lock out during 15.12.1978 to 11.12.1979. The utilization, however, was only 49.0 and 48.6 per cent during 1978 and 1980 respectively.

Note: FERA status is shown as in 1974 when the Act came into force.



TABLE-III.10

Showing the Distribution of Licences Held by the Top 20 Industrial Houses According to the Extent of Utilization
(Production to Licensed)

(Numbers)

S. No.	Industrial House	No. of Licences in Utilization Range				Total Licences Studied
		Zero (%)	1-25 (%)	25-60 (%)	60-100 (%)	
1	2	3	4	5	6	
1.	Birla	50 (22.7)	38 (17.3)	39 (17.7)	52 (23.6)	220 (100.0)
2.	Tata	57 (28.8)	40 (20.1)	51 (25.8)	31 (15.7)	198 (100.0)
3.	Mafatlal	5 (14.3)	11 (31.4)	8 (22.8)	8 (22.8)	35 (100.0)
4.	J.K. Singhania	7 (20.0)	10 (28.6)	6 (17.1)	7 (20.0)	35 (100.0)
5.	Thapar	9 (20.9)	7 (16.3)	9 (20.9)	11 (25.6)	43 (100.0)
6.	Sarabhai	2 (28.6)	0 (0.0)	1 (14.3)	4 (57.1)	7 (100.0)
7.	Bangur	7 (24.1)	4 (13.8)	10 (34.5)	5 (17.2)	29 (100.0)
8.	I.C.I.	1 (4.2)	4 (16.7)	4 (16.7)	10 (41.7)	24 (100.0)
9.	A.C.C.	4 (40.0)	3 (30.0)	1 (10.0)	2 (20.0)	10 (100.0)
10.	Shri Ram	11 (25.0)	11 (25.0)	3 (6.8)	13 (29.5)	44 (100.0)
11.	Kirloskar	19 (22.6)	36 (42.9)	18 (21.4)	9 (10.7)	84 (100.0)
12.	Hindustan Lever	0 (0.0)	4 (30.8)	0 (0.0)	1 (7.7)	13 (100.0)
13.	Larsen & Toubro	8 (18.6)	16 (37.2)	7 (16.3)	9 (20.9)	43 (100.0)
14.	Modi	3 (13.6)	1 (4.6)	4 (18.2)	10 (45.5)	22 (100.0)
15.	Chowgule	1 (33.3)	1 (33.3)	0 (0.0)	1 (33.3)	3 (100.0)
16.	Bajaj	6 (18.8)	11 (34.4)	2 (6.3)	11 (34.4)	32 (100.0)
17.	Lalbhai	6 (27.3)	3 (13.6)	7 (31.8)	4 (18.2)	22 (100.0)

- Notes: 1. For the list of companies included under each of the above Houses see Appendix III.
2. Tin Plate Co. of (I) Ltd. which is inter-connected with the companies both of Oil India and Tata Houses is included in the House of Tata. No company belonging to Scindia and Bhiwandiwala Houses is represented in the Survey.
3. Figures in brackets are percentages calculated with respect to the House totals.

did not report production against a number of licences, were Voltas (11 licences), TELCO (7 licences), Tata Chemicals (5 licences) and Tata-Robins-Fraser (5 licences). The relative performance of the two top Houses, in the matter of utilization of licences, (i.e. actual production to the licensed capacity), was better for the Birlas in each range of utilization. Of the Birla-House-held licences, 17.3 per cent were in the 1-25 per cent range, as against 20.1 per cent for the Tatas. Nearly three-fourths of the licences held by the Tatas were being utilized at less than 60 per cent level of the licensed capacities; the corresponding percentage for the Birlas was 57.7 per cent. Among the Large Houses an interesting case appears to be that of the Kirloskars, who were totally unable to use 22.6 per cent of their licences, and in another 42.9 per cent of the licences held by them, the utilization rate was less than 25 per cent. It was only in 10.7 per cent of the licences that the Kirloskars were utilizing between 60-100 per cent of the licensed capacities.

What could this level of gross under-utilization of the capacities with the Indian Big Business suggest? Firstly, it seems that there was hardly any reason to believe that Big Business in India has ever been put under any real constraint by the ILS. Secondly, the ease and comfort with which they hold on to the licences is also indicative of the practice of pre-emption as well as their desire to bite off far more than what they can chew. Thirdly, the Large Houses have invested huge capital resources of the nation which remain very inefficiently utilized. From the viewpoint of administrative discipline one would need to ask : why has not the Government revoked the licences since these were not being utilized for years? There is need for a more elaborate and detailed analysis of the impact of the ILS in creation of private monopolies, and diversion of national capital in areas where it is scantily utilized. A number of specific research studies can be undertaken for consideration of the policy makers.

Cases of Production in Excess of Licensed Capacities

Of the total of 3,078 licences covered in the Survey, belonging to 736 companies, there were 353 cases in which the level of production was in excess of the licensed capacities. Table-III.11 shows the distribution of such cases according to different groups of companies, and in different ranges of excesses. In 1975, there was a general policy announcement under which automatic growth of capacity was permitted to selected engineering industries.²³ The plea for 'automatic growth' to permit normal expansion to the companies has been discussed for a long time. In five years, the maximum escalation in capacity can, according to the licensing regulations, be 25 per cent. Though the facility for automatic growth of capacity was allowed to selected industries only, it appears that a number of companies take this concession to be available to all industries. It is perhaps because of this that many a company reports the installed capacities for various articles as exactly 25 per cent higher than the size of capacities endorsed on the licences.²⁴ Out of the total excess capacity cases, 182 were such in which the excess production over the licensed capacity was not more than 25 per cent. In 65 cases excess production was in the range of 25-50 per cent. The next range (50-100 per cent excess) had 42 cases. It was only in 64 cases that production was more than double of the licensed capacity. The practice of attaining production far in excess of the licensed capacity is more marked in the case of MRTP Act companies and foreign controlled companies. (See Table-III.11, Column 5). These cases are listed in Appendices I, II and IV.

23. Guidelines for Industries (1979), part I, p. Sec. 1-7. Also see Press Note dated August 21, 1975 (p. Sec. V-15).

24. A typical case in this respect is that of Hindustan Lever. See Report and Accounts, 1979 (p.15) of the Company wherein it shows installed capacity to be exactly 25 more than the licensed capacity for milk powder, synthetic detergents, glycerine, fine chemicals, ossein, di-calcium phosphate, sulphuric acid, phosphoric acid, sodium tripolyphosphate, oil milling, oil seeds and industrial machinery.

TABLE-III.11

Showing the Distribution of Licences Utilized in
Excess of Licensed Capacity According to the
Licensee Category and Level of Utilization

(Numbers)

S. No.	Licensee Category	No. of Licences in Excess Utili- zation Range				Excess Utilized Licences Total
		Upto 25 (%)	25-50 (%)	50-100 (%)	100 and above (%)	
	1	2	3	4	5	6
1.	MRTP Companies	112 (61.5)	44 (67.7)	21 (50.0)	36 (56.3)	213 (60.3)
2.	Dominant Undertakings	45 (24.7)	11 (16.9)	6 (14.3)	6 (9.4)	68 (19.3)
3.	Large Houses (CIS Classification)	134 (73.6)	50 (76.9)	28 (66.7)	46 (71.9)	258 (73.1)
4.	Other Groups (CIS Classification)	16 (8.8)	4 (6.2)	6 (14.3)	2 (3.1)	28 (7.9)
5.	Companies presently under public management	1 (0.5)	0 (0.0)	1 (2.4)	0 (0.0)	2 (0.6)
6.	Former Branches, Subsidi- aries (ILPIC) and FERA companies (1974)	55 (30.2)	23 (35.4)	15 (35.7)	31 (48.4)	124 (35.1)
7.	Others with Foreign Equity above 25%	16 (8.8)	8 (12.3)	3 (7.1)	3 (4.7)	30 (8.5)
8.	Others with Foreign Equity between 10 to 25%	10 (5.5)	2 (3.1)	1 (2.4)	1 (1.6)	14 (3.9)
9.	Joint Sector Companies	7 (3.8)	1 (1.5)	0 (0.0)	3 (4.7)	11 (3.1)
10.	Other Companies	32 (17.6)	11 (16.9)	7 (16.7)	16 (25.0)	66 (18.7)
All Companies		182 (100.0)	65 (100.0)	42 (100.0)	64 (100.0)	353 (100.0)

- Notes:
1. The column totals will not add up to the 'All companies' total since there is considerable overlapping between the groups. Each group of companies has to be treated as such.
 2. Figures in brackets are percentages calculated with respect to the total number of licences in each utilization range.
 3. See Appendix-III for the CIS classification of companies;



Implications for Small Scale Units

The material issue involved in the phenomenon of production in excess of the authorized capacities, is whether this led to any direct or indirect adverse consequences for other units. To examine this one would need to inquire about the precise items in which excess production was reported, especially if the production unit concerned was a constituent of a Large Industrial House or was under the control of foreign companies. If the products in which excess capacities were installed (or higher production undertaken) happened to be reserved for the public sector or for the small scale sector, it would suggest that the purpose of the policy of reservation was being defeated. In an earlier study, it had been shown that there were cases where the production was more than twice the authorized capacities and that the items produced happened to have been reserved for the small scale sector.²⁵ For ready reference, a revised version of this is being reproduced in Appendix-II to this study.

In cases of 'excess production', an economic justification could perhaps be found in the fact that the industry is a 'priority' one, or one where higher production is considered essential, and the sales, distribution and pricing are controlled by the Government under the IDRA. A list of products other than those reserved for the small scale sector, and those covered under special regulations, in which more than 100 per cent excess production is taking place is given in Appendix-IV.

Simultaneous Excess and Under-utilization

An industrial licence is something more than a mere permission to undertake production in the specified industry.

25. Goyal, S.K. "New Industrial Licensing Policy", Working paper No.11, Corporate Studies, Indian Institute of Public Administration, April 23, 1982, Annexure-II showing "List of Big Business and Foreign Controlled Companies Producing Items Reserved for the Small Scale Sector".

With the grant of a licence, the licensee gets entitled to a variety of preferences. These can be (i) in allotment of controlled and scarce raw materials, (ii) an easy access to financial accommodation (from term lending and promotional institutions and commercial banks), and (iii) for acquiring land. An industrial licence also helps to obtain a variety of concessions in the import of machinery and raw materials. To illustrate, we reproduce here two paragraphs from the Registration and Licensing of Industrial Undertakings Rules, 1952 (as modified upto the 31st August, 1976):

Allotment of Controlled Commodities to Licensed Undertakings: The owner of an industrial undertaking in respect of which a licence or a permission has been granted shall be eligible to the allotment of controlled commodities required by him for the construction or operation or for both construction and operation of his undertakings on such preferential basis as the Central Government may determine from time to time. In determining such preference the Central Government shall have due regard to the requirements of existing industrial undertakings.

Concessions in the Grant of Import Licences to Undertakings: The Owner of an industrial undertaking in respect of which a licence or permission has been granted shall be eligible for the issue of licences for the import of goods required by him for the construction or operation or for both construction and operation of his undertaking on such preferential basis as the Central Government may determine from time to time. In determining this preference which may include such concession as the submission of one consolidated application in respect of the requirements from each currency area for all items shown as licenseable to actual users, submission of separate application for highly specialised items even though such items may not be shown as

licenseable to actual users and priority in the matter of import from different currency areas, the Central Government shall have due regard to the requirements of existing industrial undertakings.²⁶

By its very character, a raw material can be used for production of a variety of goods. An undertaking which is holding a number of licences, can conveniently keep the level of capacity utilization low for certain products and much higher for others, by diverting the use of raw materials and facilities created under other licences. Are these practices being adopted by the corporate sector? The magnitude of such operations can only be assessed through appropriate case studies by the official agencies. Prima facie, however, there does appear to be a ground to believe in the existence of such practices.

Table-III.12 shows the distribution of 153 companies which held multiple licences and had underutilization of some licences, while simultaneously reporting higher levels of production, than the licensed capacity, for other items, in the same year. A list of 39 companies, where one finds 3 and more cases of excess production, (exceeding the licensed capacity), and at least one licence having utilization lower than 75 per cent of the capacity licensed, is given in Table-III.13.

An interesting feature of the list is that the companies figuring in it are overwhelmingly those which are foreign controlled or are associated with the influential and Larger Industrial Houses of the country. Out of the 39 companies, as many as 19 were transnationals and 15 were Large House Companies. The case of Dunlop (I) Ltd., is illustrative of the phenomenon of simultaneous excess and under-utilization. Out of the 13 products reported by the company for the year 1979, the licensed capacities in the case of automobile tyres and tubes increased during the year. The percentages of production to the

26. Guidelines for Industries (1982), Part-I, pp. Sec. III-44 and Sec. III-45.

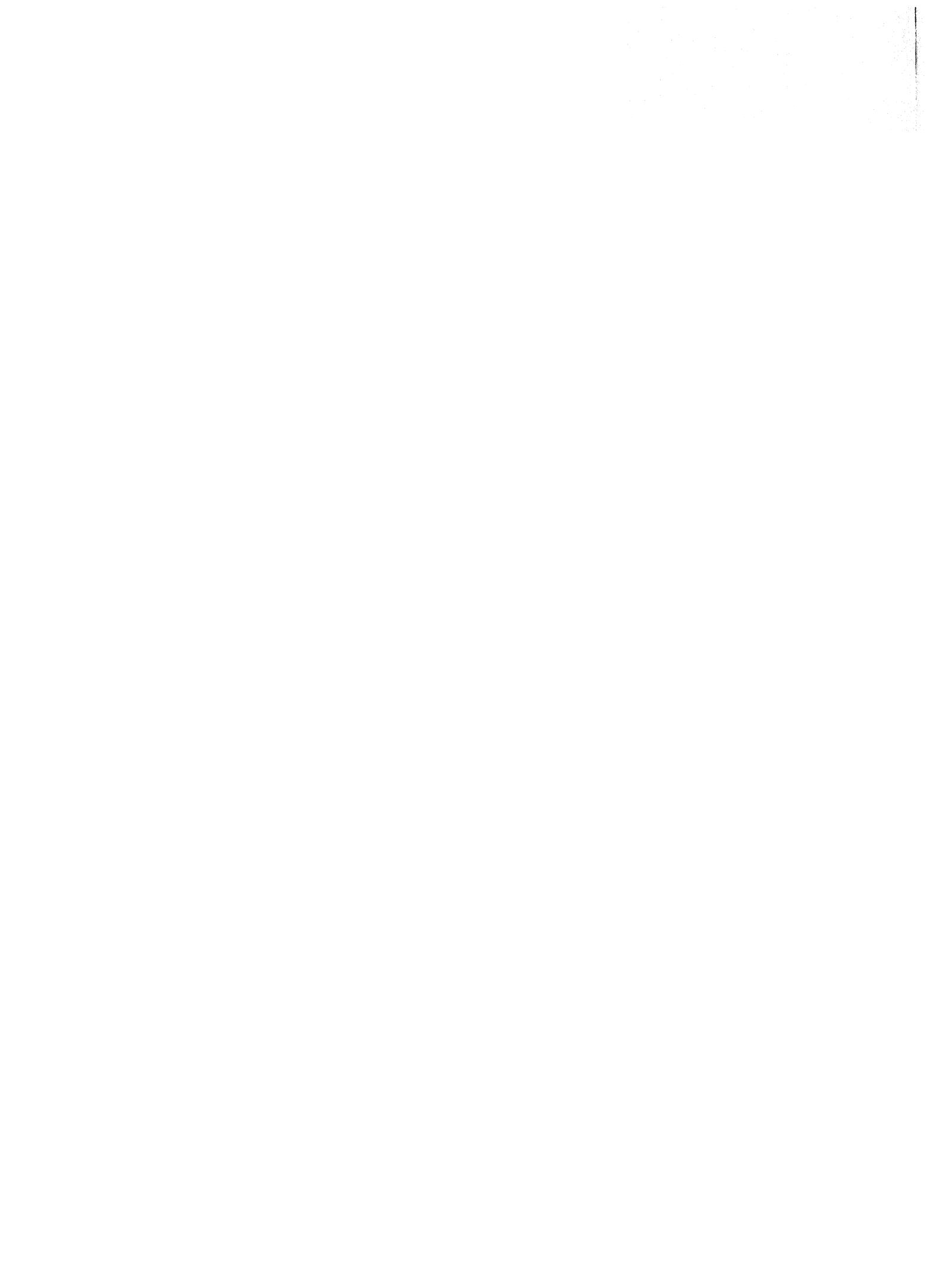


TABLE-III.12

Showing the Distribution of Companies According to the Over-utilized and Under-utilized Licences Held by Them.

		(No. of Companies)						
Number of licences utilised less than 75 per cent		Number of licences utilised in excess of licensed capacity						
		1	2	3	4	5	6 & above	Total
		1	2	3	4	5	6	7
								8
	1	21	2	3	0	1	0	27
	2	14	4	3	1	1	0	23
	3	11	4	4	1	2	0	22
	4	2	1	1	1	0	2	7
	5	6	1	0	1	4	2	14
	6 & above	31	17	6	5	1	0	60
	Total	85	29	17	9	9	4	153

Note: Over utilization: Production exceeding the licensed capacity.

Under utilization: Production being less than 75% of the licensed capacity.

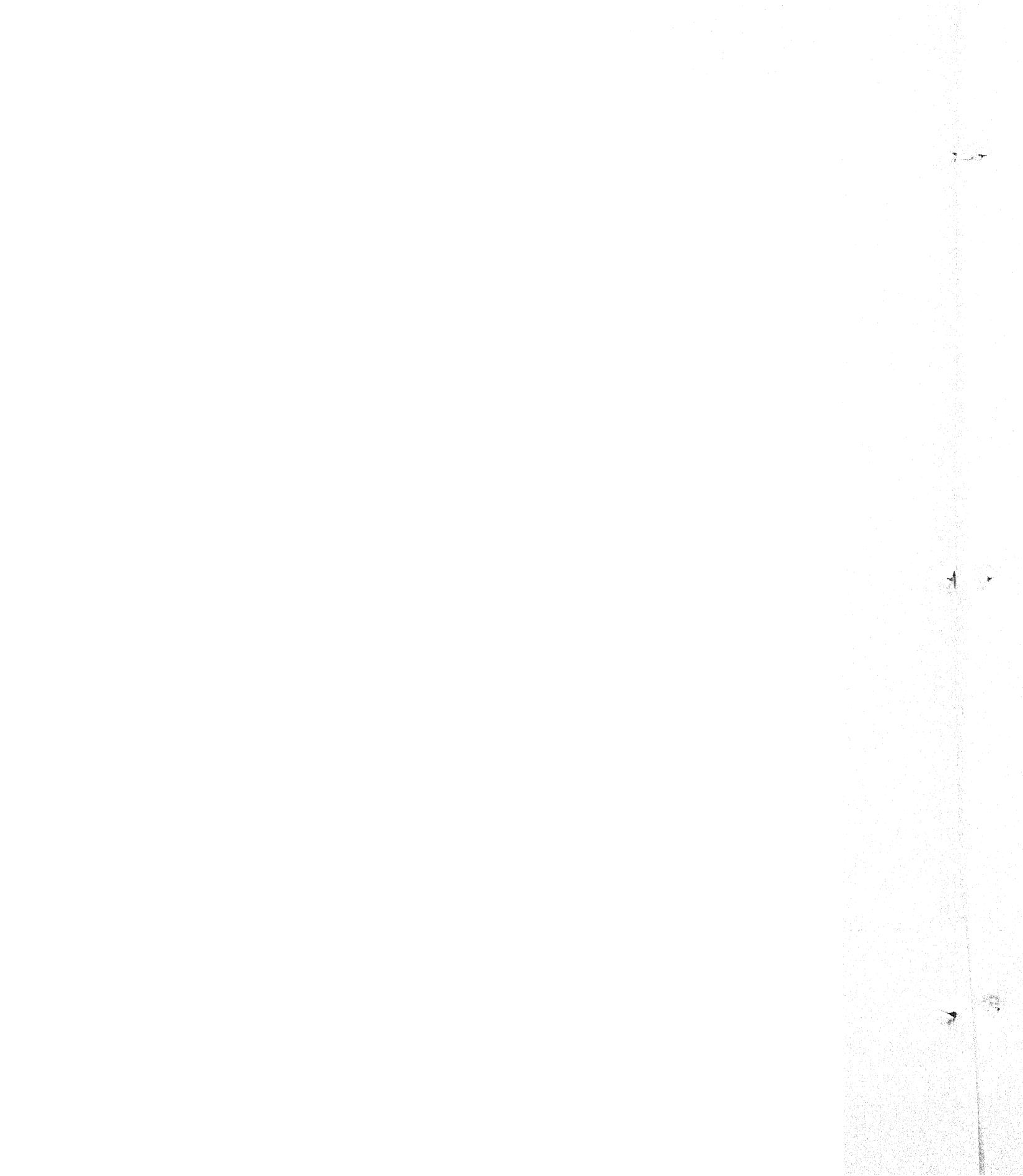


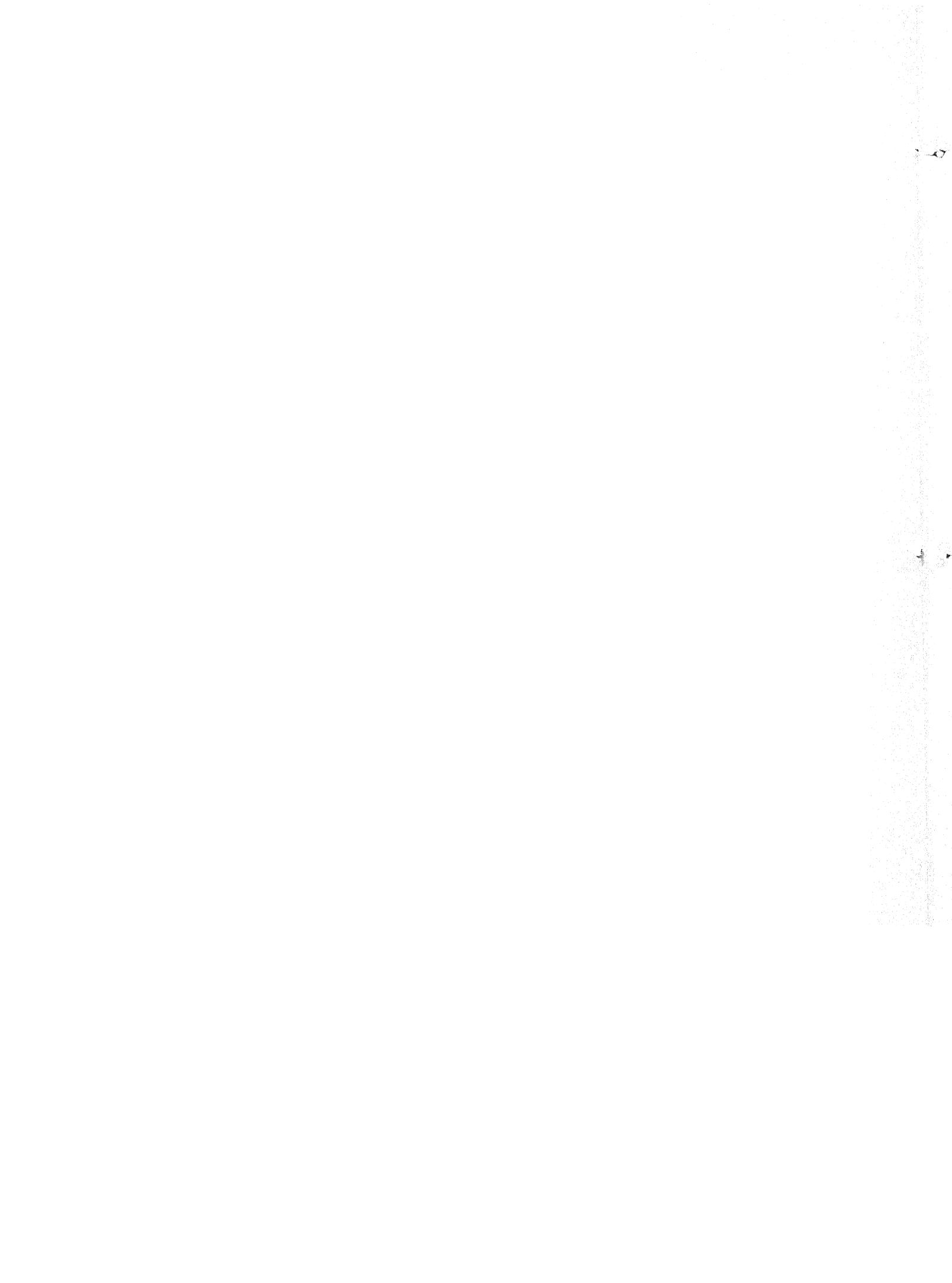
TABLE-III.13

Showing Companies which had 3 or More Over Utilized Licences also Having Under-Utilized Licences (1979)

(Numbers)

S. No.	Name of the Company	Association/ Foreign Company Status	Utilization*			Total Licences Studied
			(No. of Licences)	Over	Under	
1	2	3	4	5	6	
1.	Hindustan Lever	Hind. Lever/FERA	8	5	0	13
2.	Philips(I)	FERA	8	4	5	17
3.	Sandoz (I)	FERA	6	5	2	13
4.	Dunlop(I)	FERA	6	4	1	11
5.	Voltas	Tata	5	26	2	33
6.	Boehringer Knoll	Rallis#/FERA	5	5	2	12
7.	Union Carbide (I)	FERA	5	5	2	12
8.	Metal Box	FERA	5	5	1	11
9.	Glaxo Laboratories (I)	FERA	5	5	0	10
10.	Bayer (I)	FERA	5	3	0	8
11.	Gwalior Rayon	Birla	5	3	0	8
12.	Indian Rayon Corp.	Birla	5	2	1	8
13.	Century Spg. & Mfg.	Birla	5	1	1	7
14.	Delhi Cloth&General Mills	Shriram	4	14	4	22
15.	Excel Inds.	Tata@	4	13	5	22
16.	Guest Keen Williams (GKW)	FERA	4	16	1	21
17.	Travancore Chemical & Mfg	...	4	7	4	15
18.	Pfizer	FERA	4	8	2	14
19.	Motor Inds. Co. (MICO)	FERA	4	5	4	13
20.	Tata Oil Mills Co.	Tata	4	4	0	8
21.	Caprihans (I)	D.U.	4	3	1	8
22.	Kesoram Inds.	Birla	4	2	3	9
23.	Elgi Equipment	L.G. Balakrishna#	3	15	1	19
24.	Best & Crompton	+	3	11	3	17
25.	Andhra Sugars	Andhra Sugar	3	12	0	15
26.	English Electric Co.	GEC/FERA	3	9	2	14
27.	Electronics Ltd.	Spencer#	3	11	0	14

Contd....



(Numbers)

S. No.	Name of the Company	Association/ Foreign Company Status	Utilization* (No. of Licences)			Total Licences Studied
			Over	Under	Full	
1	2	3	4	5	6	
28.	Bestobell (I)	FERA	3	7	1	11
29.	L.G. Balakrishna & Bros.	L.G. Balakrishna#	3	4	1	8
30.	National Engg. Inds.	Birla	3	3	2	8
31.	Dhrangadhra Chml Works	S.P. Jain	3	3	1	7
32.	Macneill & Magor	Macneill Magor/FERA	3	3	0	6
33.	Assam Carbon Products	India Carbon#	3	3	0	6
34.	Mahindra Spicer	Mahindra	3	2	0	5
35.	Straw Products	J.K. Singhania	3	2	1	6
36.	Crompton Greaves	Thapar	3	2	4	9
37.	Indian Explosives	ICI/FERA	3	1	3	7
38.	Hindustan Aluminium Corpn.	Birla	3	1	0	4
39.	May & Baker (I)	FERA	3	1	0	4

FERA status is shown as in 1974 when the Act came into force.

C.I.S. classification.

@ Tata-Second Tier Co. (ILPIC); DU: Dominant Undertaking (MRTPA 1969).

+ It was formed through the amalgamation of two FERA companies, namely Best & Co. Ltd. and Crompton Engg. (Madras) Ltd.

* Over utilization - production exceeding licensed capacity; under-utilization - production less than 75% of licensed capacity; and full utilization - production between 75 to 100% of the licensed capacity.



corresponding licensed capacities for the rest of the eleven products are given in Table-III.14. It is evident that the utilization varied from 158.8 per cent in the case of 'fan & vee belts' to just 25.4 per cent in the case of PVC belting.

Similarly, as against an excess production by 263.3 per cent in case of synthetic detergents, 131.5 per cent in case of soaps, 125.1 per cent in respect of milk powder and 127.1 per cent in case of hydrogenated oils and vanaspati, Hindustan Lever's production accounted for just 3.0, 5.0 and 15.4 per cent of the licensed capacities of phosphoric acid, sodium tripolyphosphate (STPP) and sulphuric acid respectively during the year 1979. Similarly, we find that Motor Industries Company's (MICO's) utilization of licences during 1979 varied from 136.8 per cent in the case of multi cylinder pumps, to just 0.3 per cent in the case of glow resistors.

The limited point that is sought to be made here concerns not the violation of licensing provisions by the manufacturing companies, but their ability to exceed certain licensed capacities by, however small an amount it may be (leaving aside the liberalisations and permissions under the ILS,) while utilizing other licences at a low level. It naturally appears difficult to accept, in the circumstances, that this under-utilization is because of any raw material shortages or infrastructural bottlenecks. It is more likely to be a result of a conscious decision of the enterprises which essentially respond to market forces by diverting resources and raw materials meant for, and obtained in the name of, particular industrial licences, to other products which the companies concerned find more profitable.

This Chapter has brought out the main results of the Survey of capacities and production in the organised sector of the Indian economy. A fact that emerges very sharply is that the industrial sector suffers from gross over-capitalization. The capacities built over the past three decades are far in excess

TABLE-III.14Showing the Utilisation Pattern of Licences
by Dunlop (I) Ltd. (1979)

S.No.	Name of the Product	Utilization (Production/Licensed) (%)
1	2	
1.	Fan & Vee belts	158.8
2.	Conveyor belting	149.0
3.	Transmission belting	124.4
4.	Dunloflex hose	113.8
5.	Cycle tyres	109.1
6.	Braided & hydraulic brake hose	104.6
7.	Cycle rims	88.2
8.	Cycle tubes	64.6
9.	Repair materials	54.3
10.	Metalistik	48.9
11.	PVC belting	25.4

Source: Based on Notes to the Accounts, Annual Report, 1979 of Dunlop(I) Ltd., p.31.



of the present level of production. This has happened in spite of the existence of the ILS which was supposed to regulate and coordinate investments in order to achieve an optimal allocation of the limited capital resources. It seems evident also that excessive capitalization would have implied a considerable deployment of foreign exchange resources as also a diversion of scarce national resources. The economic cost of building up large industrial capabilities, far beyond the national requirements, would be high for the economy. But in the protected Indian market and with the variety and nature of fiscal and monetary concessions and subsidies, the large scale organized sector is still able nevertheless to flourish regardless of this vast squandering of resources. If the sector can flourish in this manner, implying much private gain and much social loss, in spite of such gross inefficiencies, it calls for a deeper inquiry. This must involve an examination of the very rationale of policies being pursued and the structure that today exists for planned national development.

On the other hand, the Survey brings into the limelight violations of the ILS are more prominent in the case of Transnationals and Indian Monopoly Houses. The violations are of various kinds. If the ILS is operationally ineffective it is time that one considers the available policy alternatives and a coordinated action plan to remedy the situation.

CHAPTER-IV

REPORTING ON INDUSTRIAL CAPACITIES — A REVIEW
OF COMPANY ANNUAL REPORTS

For nearly a decade it has been a legal obligation on corporate entities to disclose a good deal of additional information on different aspects of the working of the enterprises. The information has to be a part of the Annual Report on Profit & Loss Account. Inclusion of information on the industrial licences held, capacities installed and actual production of the goods manufactured by the company is a part of this obligation.¹ While reporting data on capacities and production the companies very often provide explanatory notes and the views they hold with regard to the size of the authorized industrial capacities and production as also the applicability or otherwise of the IDRA. This Chapter presents the main findings of a scrutiny of nearly 2,000 Annual Reports.²

In assessing the degree of effectiveness of the Industrial Licensing System (ILS) on the basis of information disclosed in the Company Annual Reports it is of importance to keep in mind that the primary decision whether a product is under the Scheduled Industry list, to attract the provisions of the IDRA, or not is that of the company managements. The responsibility to ensure that false claims are not made by the reporting companies would rest with the Ministry or Department of Company Affairs.

1. The Government of India vide the Notification No. G.S.R. 494 (F) dated October 30, 1973 effected a number of changes in the items on which information has to be disclosed in the 'Balance Sheets' and 'Profit and Loss Accounts' of corporate bodies. This called for more information to be made public. Inter alia, the Notification requires to companies to furnish details regarding their licensed and installed capacities, the actual production made during a financial year, and earnings and expenditure of foreign currency as part of the 'Notes' to the 'Profit and Loss Account'. For purposes of disclosure, the items for which the company is holding separate industrial licences shall be treated as separate classes of goods but where a company has more than one industrial licence for production of the same item at different places or for expansion of the licensed capacity, the item covered by all such licences shall be treated as one class. cf. INDIA, Ministry of Law Justice & Company Affairs, Companies Act, 1956 (As modified upto the 1st July, 1975), 1976, p. 417.
2. The 2,000 companies are the ones for which the Corporate Studies Group could obtain the Annual Reports.



The administration of the IDRA, however, is the primary responsibility of the Ministry of Industry (Department of Industrial Development). If a unit undertakes manufacturing of products falling under a Scheduled Industry but does not apply to the Central Government for grant of an appropriate industrial licence, or if an undertaking does not possess an industrial licence for the goods manufactured on the plea that the item was not a Scheduled Industry, who would be the arbitrator?³ It is not very clear. Similarly, the nature of action that can be taken against those who give false information under the Companies Act regarding the obligations of another statute (*i.e.* IDRA) is a matter which can be decided by legal experts alone. This Chapter only points out the contradictions in the information and the reporting practices in the organized corporate sector. The main thrust of this Review is to highlight various shortcomings of the ILS -- as these get disclosed from the information provided by the companies themselves.

Claim of Non-Applicability

While undertaking the Review we came across a large number of cases in which the companies have stated that they did not require industrial licence for many of the goods manufactured by them. Against the column in the Company Annual Reports, where the company has specifically to state the precise licensed capacity, the comment made is: "Not Applicable" or a mere dash. An illustrative list of companies claiming non-applicability of IDRA, at one time or the other during the last few years, is shown in Appendix-V.⁴ This being a technical matter the

3. The fact that the government does not have a policy to deal with such cases is evident from the statement of the Union Minister for Petroleum, Chemicals in the Rajya Sabha regarding the action that can be taken against companies like Pfizer (31 drugs), Glaxo (26 drugs), Warner-Hindustan (23 drugs) which were found to be producing items without proper authorizations. The Minister stated that a decision on such unauthorized production could be taken only after a general policy was formulated. Cf. Times of India, July 20, 1982.
4. Some companies, including Searsole Chemicals, Mahindra Sintered Products, and Suri & Nayar, however, reported licensed/registered capacities in subsequent years.

correctness or otherwise of the company's claim can only be scrutinized by the DGTD or other competent agencies. It is, however, strange that one comes across, on the one hand, companies claiming that the licensing system was "not applicable", for production of a product while there are others holding licences for the production of the same product. For instance, while Eastern Abrasives Ltd. (See Appendix-V) claims that for manufacturing "coated abrasives" the licensing provisions were "not applicable", its parent company, Carborundum Universal Ltd., held a licence for the same very product for a quantity of 1,50,000 reams.⁵ Few more examples of this type are:

- (i) Hindustan Lever claims that licensed capacity is not applicable for ghee because it was a non-Scheduled industry, but Sabarkantha District Co-operative Milk Producers' Union Ltd. held a Substantial Expansion licence containing a sub-limit of 4,000 tonnes capacity of ghee vide CIL:95/81 dt: 6.5.81 (798/79);
- (ii) While Bharat Bijlee claimed that licence is not required for manufacturing 'lifts', the Otis Ltd. in its Annual Report for the year 1979 reported a licensed capacity of 759 'lifts' per annum;
- (iii) While Carew & Co. stated that distilling of 'spirit' does not come under licensing, New Swadeshi Sugar Mills in its Annual Report for the year 1980 reported a licensed capacity of 22,700 litres of 'spirit' per day;
- (iv) While Coromandel Garments claimed that for 'garments' licensing is not applicable, Rallis India in its Annual Report for the year 1979 reported a licensed capacity of 8.40 lakh numbers of the same item;

5. Carborundum Universal Ltd, Annual Report, 1979, p. 24.

- (v) While Rallis India claimed that licensing is not applicable for mixed fertilizers, Adarsh Chemicals & Fertilizers Ltd. reported a licensed capacity of 25,000 tonnes of the same product in its Annual Report for the year 1979. (p. 22).
- (vi) Both East India Carpet Co. Ltd., a subsidiary of the Oriental Carpet Mfrs. Co. Ltd. and Modi Carpets Ltd. report production of carpets. While the former claims that "licensing is not applicable to this industry", the latter reports a licensed capacity of 25 lakh pounds of 'Tufted Carpet/Yarn' in its Annual Report for the year 1980, (p. 29).

The companies reporting 'non-applicability' of the ILS could be doing so either because they claim to be constituents of the small scale sector or because according to them the product did not fall under the Scheduled Industries category of the IDRA or that the company enjoys a special exemption from the IDRA. Since most of the companies do not give the precise reason for non-applicability, it is not possible to say how many cases could genuinely or technically qualify for exclusion from the ILS. The practice of claiming exemption from the ILS on the plea of being a small scale unit appears to be a common one. For instance, Fulford (I) Ltd. and Ethnor Ltd. (See Appendix-V) (the latter being a subsidiary of the Johnson & Johnson Ltd.) claim that they did not require any industrial licence for any of the products manufactured by them. This could be because the undertakings claim the exemption available to small scale units. This appears logical as the companies are indeed listed among the 'Small Scale Manufacturers' of 'Drugs, Pharmaceuticals and Fine Chemicals', who are also members of the 'Basic Chemicals,

Pharmaceuticals & Cosmetics Export Promotion Council'.⁶ Similarly, Nicholas Laboratories Ltd., (See Appendix-V) seems to have claimed non-applicability of licensing because Indian Schering Ltd. and Nicholas India Ltd., whose business the Nicholas Laboratories had taken over, before the take-over were small scale units.⁷ The Kemp & Co. Ltd. (See Appendix-V) was also a small scale unit because Morarji Gokuldas Spg. & Wvg. Co. Ltd., in its Annual Report for the year 1979 stated "The pharmaceutical division was purchased from Kemp & Co. Ltd. with effect from 12.3.1979. The licensed capacity in this respect is not given as it is presently categorized as a small scale industry."⁸

A large number of transnational companies appear to operate outside the provisions of the IDRA.⁹ Few of them claim exemptions as they were registered as small scale units, there are others which claim that licensing provisions are not applicable to them either for all or some of the products manufactured by them. For instance, Indian Duplicator Co. Ltd. (formerly Gestetner Duplicators Pvt. Ltd.), Monotype (I) Ltd.,

6. In addition to this, the prospectus of Fulford (I) Ltd., dated August 27, 1981 states that "The company is registered... with the Directorate of Industries, Maharashtra, vide certificate No.MH/GB/C-149 dated 12th October, 1971 as amended by letters No. SSI/RGN/GB/C-109/71/12755 dated 22nd August, 1972 and No. SSI/RGN/C-109/71/11428 dated 26th June, 1979 issued by the said authority." 'SSI' in the registration number obviously indicates that the Company was registered as a small scale unit.
7. Cf. List of Small Scale Manufacturers who are members of Basic Chemicals, Pharmaceuticals and Cosmetics Export Promotion Council in Thapar's Indian Industrial Directory and Export & Import Directory of the World, 1980-81, Section V, pp.180-206.
8. See: Section 22(ii) of the Bombay Stock Exchange Official Directory.
9. A number of foreign companies in fact escaped IDRA, because tea processing industry was not included in the Schedule to the Act, even though it was "included in the Schedule to the original Industries Development and Control Bill". (Cf. INDIA, Report of the Select Committee on the Industries (Development and Control) Bill, 1949, Minutes of Dissent by R. Venkataraman and others.

Indrol Lubricants & Specialities Ltd. (which has taken over the assets and business in India of Castrol Ltd. U.K. through amalgamation),, Molins (I) Ltd., Tide Water Oil Co. (I) Ltd. and Tri-Sure (I) Ltd. claim exemption from the ILS which is available to small and medium scale sectors. The Gramophone Co. of (I) Ltd., Hindustan Lever Ltd., Colgate-Palmolive (I) Ltd., Crescent Dyes & Chemicals Ltd., Britannia Industries Ltd., Reckitt & Colman of (I) Ltd. are constituents of well known large transnationals. For a number of products they claim 'non-applicability' of the licensing system to them. Interestingly enough the value of such products (for which an exemption from the licensing system was claimed) in their total turnover happened to be substantial. For instance, the Gramophone Company of India claims non-applicability of the industrial licensing for production of records which accounted for nearly 69 per cent of its overall sales during 1980-81.¹⁰ Similarly, in the case of Reckitt & Colman of (I) Ltd., 'food products', 'detergent preparations', 'polishes and compositions' accounted for 78.6 per cent of the sales¹¹ for the year 1980.¹² In the case of Britannia Industries Ltd., bread, cakes and marine products, for which no licensed capacity was reported, accounted for 27.5 per cent of the company sales for the year 1980.¹³

Limited Scope of Licensing

The ILS, by its very character, has relevance to only a part of the national industrial activity. It is not a comprehensive system of regulations as may be necessary in a planned economy. The successive upward revisions in the exemption limits of

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- 10. Cf. Gramophone Co. of (I) Ltd., Annual Report, 1981, p.23.
 - 11. Excluding sales of detergent products purchased for re-sale.
 - 12. Cf. Reckitt & Colman of (I) Ltd., Annual Report, 1980, p. 15.
 - 13. Cf. Britannia Industries Ltd., Annual Report 1979-1980, p. 21.

investment and dilicensing of some Scheduled Industries have considerably narrowed down the coverage and scope of the ILS.¹⁴ In reality the system's coverage gets further restricted by the fact that many companies can easily get away from the industrial regulations by declaring that the licensing provisions were not applicable to them. The extent to which the licensing laws are flouted cannot be fully assessed as we have no means of verifying whether the claims of non-applicability, as made in the Annual Reports, are really valid.¹⁵ Moreover, the fact that for the same product a few companies hold a licence and others do not (whatever may be their plea) suggests that the acceptance of the obligation to respect the ILS is a matter of the 'sweet will' of the corporate bodies concerned. The case of Asbestos Cement, a foreign controlled company registered as a dominant undertaking under the MRTP Act, and which continues to be covered by the FERA may illustrate this point further. The company merely reported that "there were no licensing procedures at the time of the commencement of production." The ILS, therefore, seems to exist only if some one wishes to be regulated under its network.¹⁶ Those who do not take cognizance of the ILS, can expand and establish new undertakings according to their own assessment of the market potential. Since a number of companies belonging to

14. See above (Chapter I) for successive upward revisions of exemption limits from the scope of the industrial licensing system.
15. The cases of Pfizer, Glaxo and Warner Hindustan cited earlier will only underline this point. (see foot note 3).
16. Yet another example of this nature of the ILS is provided by Ciba-Geigy of India Ltd. Tooth brushes sold by it under the trade mark 'Binaca' of which Ciba-Geigy of India Ltd. are the licensed users in India, a popular brand. The item is supposed to be reserved for the small scale sector. One should imagine that the company would have a licence for this because the company reported a sale of 26.7 million numbers of tooth brushes for the year 1981. We, however, do not find tooth brushes as an item in the schedules showing licensed and installed capacities and actual production. Nor does the company report purchase and stocks of goods traded by the company in this item. cf. Ciba-Geigy of India Ltd., Annual Report, 1981, Notes 14, 15, 16 and 17, pp. 17-19.

Large Industrial Houses have not registered themselves under the MRTP Act¹⁷ the Large Industrial Houses can avail themselves of a variety of liberalizations and exemptions, announced from time to time, which are primarily meant for the constituents of the small and medium scale sectors of the Indian economy. The same applies to many of the Non-FERA but foreign controlled companies or associates of TNCs.

Deemed Recognition of Installed Capacities

Secondly, a number of undertakings state that they have been advised (obviously by their legal pundits) that their licensed capacity should be deemed to be the same as their installed capacity, since they were established prior to the licensing regulations coming into force. Table-IV.1 below contains companies which claim to have established industrial capacities prior to the applicability of the provisions of the IDRA, 1951 to them, and they also had been in production for a number of years without holding the requisite industrial licences. It also contains names of companies which are involved in continuous legal battles with the government. They claim that their installed capacities should be deemed to be their licensed capacities. From the claims it appears that these companies are not governed by any capacity restrictions. In the past, these companies might have been expanding their production without obtaining the requisite approval under the IDRA. In recent

17. For instance, out of 988 companies identified by the ILPIC as belonging to the eighteen Large Industrial Houses, as many as 512 did not register themselves under the MRTP Act. (See S.K. Goyal, Monopoly Capital and Public Policy. Allied, 1979, Table III.3, p. 24). Also, default notices are pending against hundreds of companies for not registering under Section 26 of the MRTP Act. See Company News & Notes, April 1981, Vol. xix No.4, for pending cases as on 31.12.1980. Interestingly enough, one comes across cases where out of the two companies under the same management, one is registered under the MRTP Act while the other is not. For instance, Mercury Paints & Varnishes Ltd., a company registered under Section 20a(ii) of the MRTP Act, reports that Spectral Chemicals & Coatings Pvt. Ltd., a company not registered under the Act, is under the same management as the Mercury Paints.

years, however, some of them have sought approval for regularization and endorsement of industrial capacities as per the present capacities claimed to have been installed by them. These companies do seem to give an impression that the applicability of the ILS was a negotiable matter. Illustrative extracts from the Company Annual Reports are given in the 'Remarks' column in Table-IV.1.

An interesting feature of the list of the companies claiming 'deemed' recognition is that it is dominated by companies belonging to Large Industrial Houses and the well known Transnationals. The list, for instance, includes Ciba-Geigy of India, Cadbury India, HMM, Nicholas Laboratories, Pfizer, Bata India, Britannia Biscuits Co., Colgate-Palmolive (I) and Cynamid (I) and companies of the Tata, Birla, Thapar and Sarabhai Houses.

Licences Without Capacity Restrictions

The third major highlight of the Review is with regard to the actual size of the 'licensed capacity' as endorsed on the industrial licences. Each licence, as per the IDRA, 1951 and the Rules of Licensing and Registration of Industrial Undertakings has specifically to mention the capacity in terms of the volume of production. We came across a good number of cases in which the companies had reported that they hold the necessary industrial licences and registration certificates but the capacities endorsed were 'not specified'. Appendix-VI shows names of such companies, their business association, the product, level of production and remarks made. Larsen & Toubro Ltd., an MRTP Act registered company, even reports that they hold a licence to meet the "entire country's demand" (emphasis added). Bradma of India Ltd. reports that it holds a "No Limit" licence. Vulcan-Laval reported that the capacity of food and beverage processing machinery has "yet to be fixed". There are others

TABLE -IV.1.

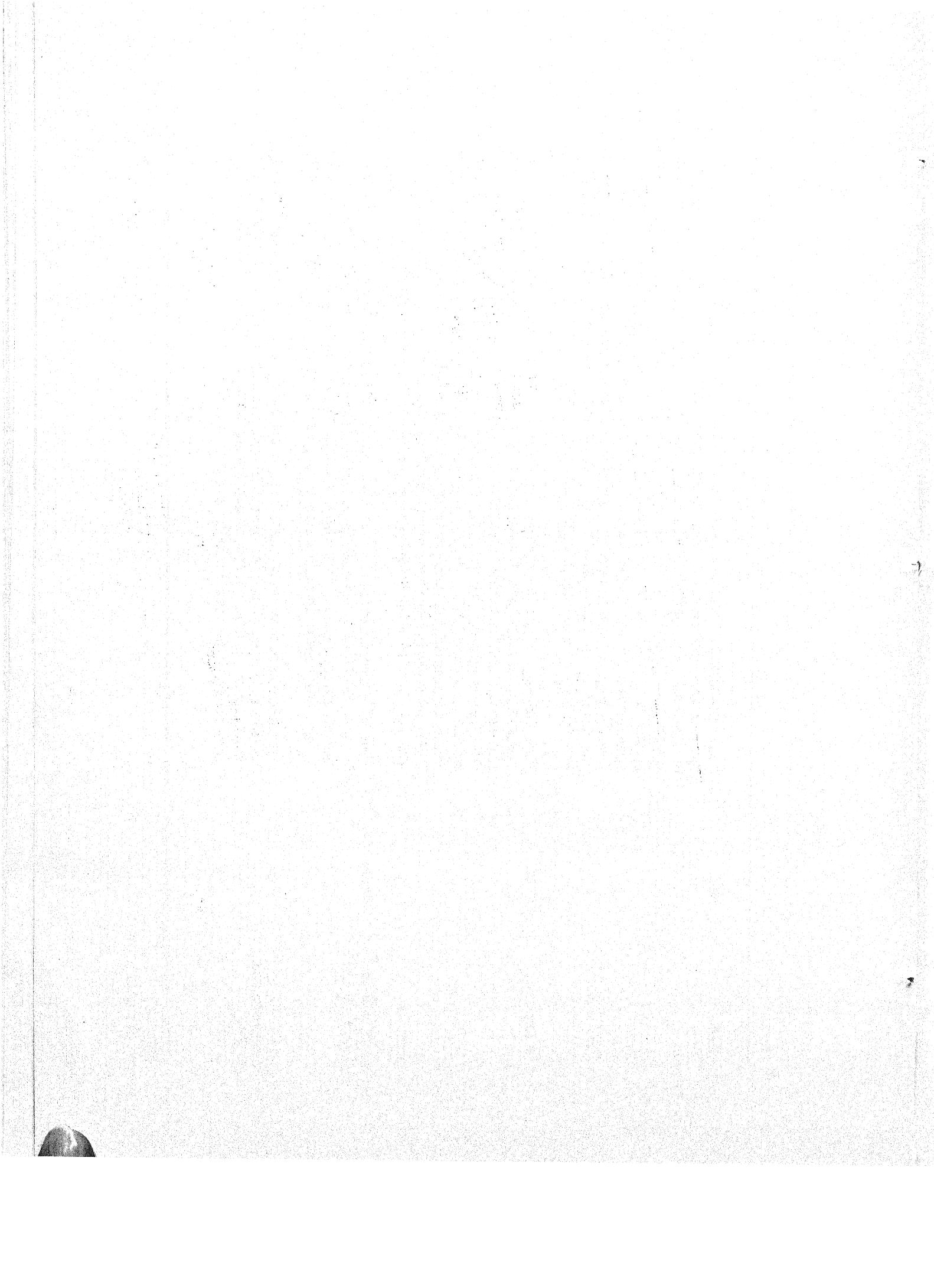
Illustrative List of Companies Having Established Capacities
and Claiming 'Deemed Recognition'

S. No.	Name of the Company	House/Foreign Company Status	Company's Explanation Regarding Its Licensed Capacity
1	2	3	
1.	Ciba-Geigy of India Ltd.	FERA	"The company was manufacturing these items (tooth pastes, powders and creams) when the Industries (Development & Regulation) Act, 1951 came into force and the Company subsequently applied for and was granted Registration. The endorsement of productive capacities on the Registration Certificate is pending. The Company has been advised that the Capacities to be endorsed on the Registration Certificate should be the same as the installed capacity." (AR 1981, p.17)
2.	Cadbury India Ltd.	FERA	"The Industrial undertaking was established prior to the date when the Industries (Development & Regulation) Act, 1951, became applicable to it. The company has been advised that the Licensed capacity should be the same as the installed capacity given above." (AR 1980, p.23)
2.	FHM Ltd.	FERA	"The licensed capacities in respect of Toilet Preparations and Drugs and Pharmaceuticals of those established earlier and registered under the Industries (Development & Regulation) Act, 1951, at the time the said Act came into force. As such, the licensed capacity has been deemed to be the same as the installed capacity and is certified by a Director and not verified by the Auditors being a technical matter." (AR 1979-80, p.20)
4.	Nicholas Laboratories (I) Ltd.	FERA	"The company's industrial undertaking at Chembur, which was acquired from Pharmed Private Ltd., was established prior to the enactment of the Industries (Development & Regulation) Act, 1951. The company has, therefore, been advised that its installed and productive capacities of 280 million tablets, 17,50,000 litres liquids and 15,16,000 kgs. powders and ointments may be treated as licensed capacities." (AR 1979-80, p.23)

Contd....

1	2	3	
5. Pfizer Ltd.	FERA	"The industrial undertaking was established prior to the enactment of the Industries (Development & Regulation) Act, 1951; the company, therefore, did not require any industrial licence at the time of establishment of its formulation plant. The company has been advised that its licensed capacity should be deemed to be the same as its installed capacity specified in formulations above; these figures of licensed capacity, however, also include figures of licensed capacity, expressly licensed to the company since the enactment of the Act for effecting substantial expansion and/or for the manufacture of "New Articles". (AR 1979, p.17)	
6. Cynamid (I) Ltd.	FERA	"The industrial undertaking was established prior to the enactment of the Industries (Development & Regulation) Act, 1951; the company therefore did not require any industrial licence at the time of establishment of its formulation plant. The company has been advised that its licensed capacity should be deemed to be the same as its installed capacity specified above; these figures of licensed capacities however, also include figures of licensed capacity expressly licensed to the company since the enactment of the Act for the manufacture of new articles."(AR 1979, p.22)	
7. Ganttor Rayon Silk Mfg.(Mfg.) Co.Ltd.	Birla	"The licensed capacities of Viscose Staple Fibre, its captive and Intermediate products as stated above, are those originally mentioned in the Industrial Licences. The Additional Installed Capacity was duly authorised by the Government through various letters and directions. (AR 1980, p.28)	
3. Lakme Ltd. (Sub. of Tata Oil Mills Ltd.)	Tata	"The company has represented to the Government that its licensed capacity should be deemed to be its installed capacity which existed before the provision of the Industries (Development & Regulation) Act became applicable to it."(AR 1978-79, p.52)	

Contd. . .



S. No. Name of the Company House/Foreign Company Status

1 2 3

9. Tata Oil Mills Ltd.

Tata

"In respect of those facilities where there is no indication of quantitative capacities in the Registration Certificates the installed capacities have been deemed to be the licensed capacities". (p.27)

"In respect of the following units the company has received communications from the Govt. of India endorsing quantitative capacities on Registration Certificates for Soaps as follows:

Licensed Capacity included in
the above statement for the Unit
Quantity endorsed in Registration
Certificates (expressed/single
shift basis as converted)
Tonnes

Tatapuram...	15,667	10,727
Calicut ...	1,967	1,300
Sewri ...	15,667	8,000

The company has disputed the endorsed capacities and has made a representation to the Govt. that installed capacities of the respective units should be treated as licensed capacities." (AR 1978-79, p.27)

10. Tata India Ltd.

FERA

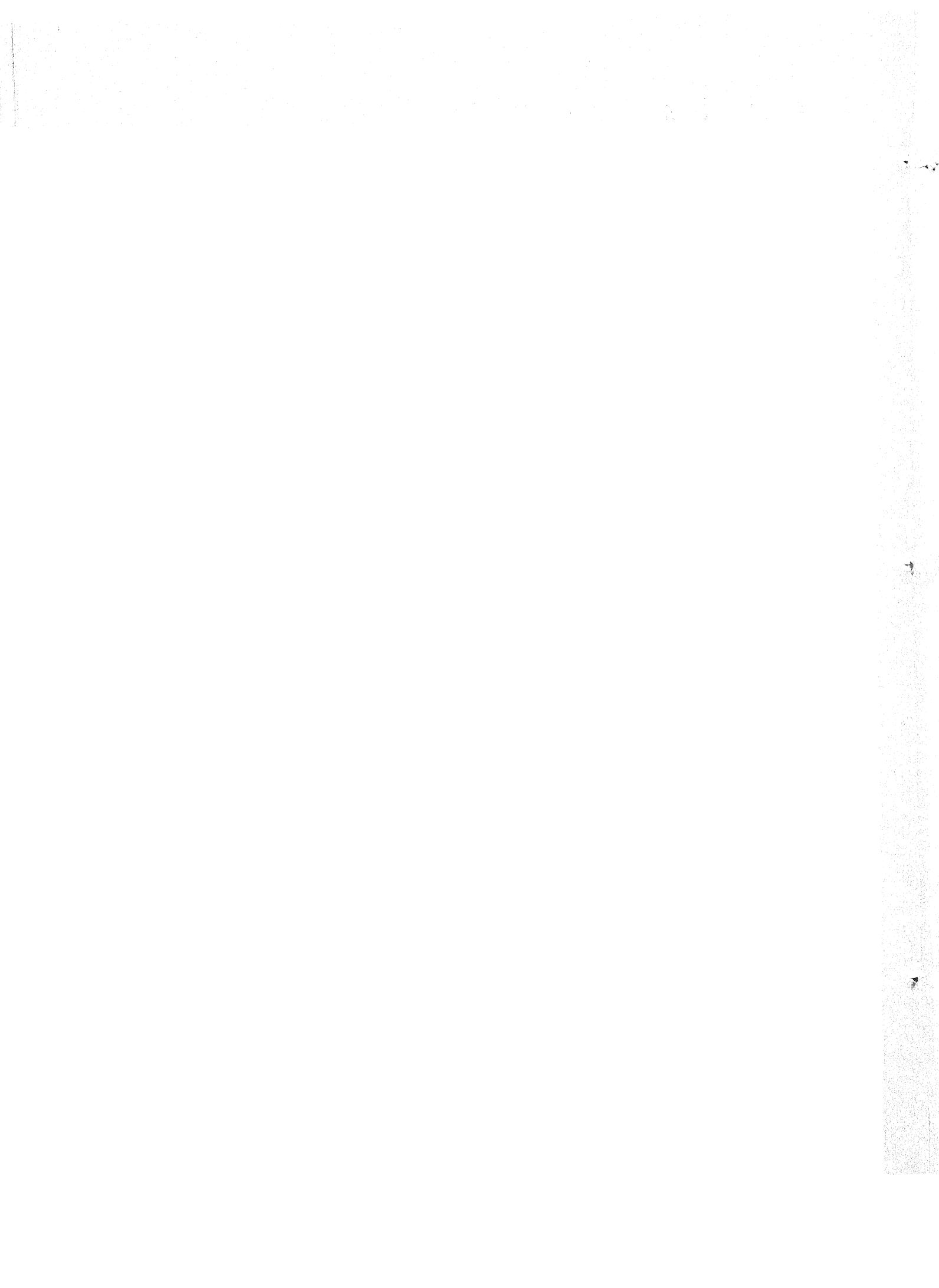
"Applications for endorsement of productive (installed) capacities on the Registration Certificates have been made and they are pending consideration by the Govt. of India." (AR 1981, p.20)

11. Britannia Biscuit Co. Ltd.

FEPA

"Licensed capacity for biscuits is exclusive of capacities in respect of which were established before the licensing regulations came into force. The matter with regard to endorsement of capacities for biscuits is, however, under consideration of Central Government." (AR 1978-79, p.22)

Contd....



S. No.	Name of the Company	House/Foreign Company Status	Company's Explanation Regarding Its Licensed Capacity
1	2	3	

12. Colgate-Palmolive (1) Ltd. FERA "The Industrial undertaking was established prior to the enactment of the Industries (Development & Regulation) Act, 1951. The Company, therefore, did not require any industrial licence at the time of establishment of its undertakings. In 1957, the Company was granted a licence for substantial expansion for the manufacture of Tooth Paste, Face Cream and Snow, Talcum and Face Powders, Oils and Shampoos and other requirements. The Company applied for endorsement of productive capacity on its Registration Certificate under the Industries (Development & Regulation) Act, 1951 in pursuance of Government Notification No. S.O./IDR10/75/2 dated July 5, 1975. The Government's endorsement of the annual productive capacity communicated through their letter of February 14, 1979 was for Tooth Powder 771 tonnes and in respect of Tooth Pastes works out to 1,388 tonnes which are much below the installed capacity of 2,025 tonnes and 6,982 tonnes respectively and the actual production achieved during 1978 of 2,150 and 6,003 tonnes respectively for these products. The company has made a representation to the Government for endorsing its current productive capacity on its Registration Certificate. The matter is still being followed up." (AR 1978, p.18)

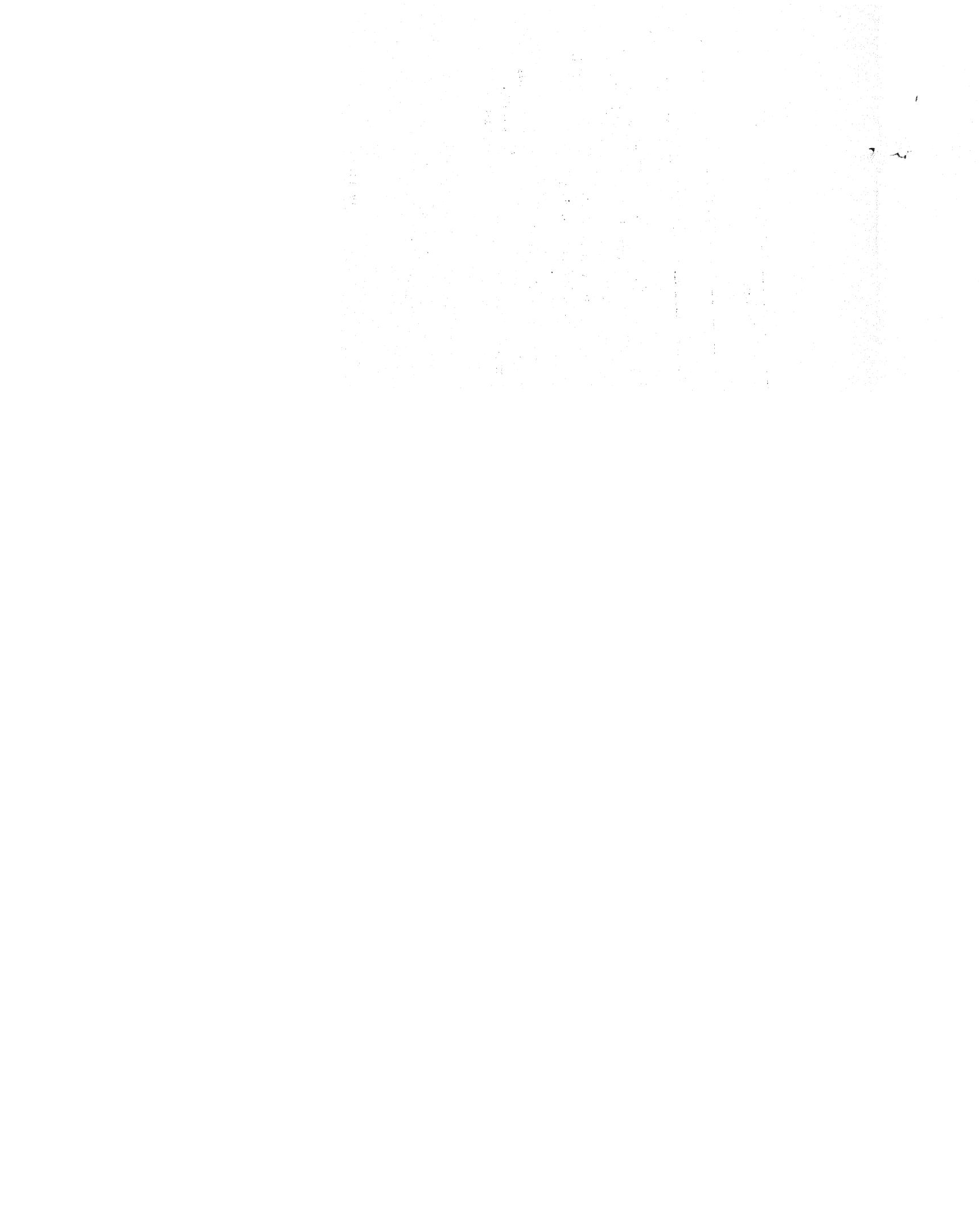
"The Government's endorsement of the annual productive capacity communicated in their letter of February 14, 1979, is much below the Company's installed capacity and the actual production achieved during 1978 in respect of tooth powder and tooth paste. Your Directors have very carefully considered this matter in consultation with the Company's legal advisers and they are unable to agree with the current Government position. The matter is being appropriately taken up with Government." (Report of the Directors, AR 1978, p.4)

Contd. . . .

S. No.	Name of the Company	House/Foreign Company Status	Company's Explanation Regarding Its Licensed Capacity
1	2	3	
13.	Ralli Machines Ltd. (Sub. of Rallis (I) Ltd.)	Rallis	"In 1972 the DGTB registered a capacity of 1,80,000 electric fans under the then prevailing legislation. In 1973, the Government issued a notification requesting units holding registered capacities to obtain a COB licence. An application for a COR licence for 1,80,000 fans was made in 1974 and in this connection an industrial COB licence for 63,000 fans was issued. The company made various representations to the Government and presently the Government are agreeable to enhance the licensed capacity to 1,60,000 fans per annum subject to the company undertaking certain export obligations. The company has made further representation to the Government in this matter." (AR 1979, p. S-20)
14.	Rillarpur Inds. Ltd.	Thapar	"COB licences for a total capacity of 4,666 Tonnes per annum based on the production figures before 1970 has been issued. A representation for higher capacity in line with the production attained in 1974 is pending with the Government of India." (AR 1980-81, p.47)
15.	Standard Pharma- ceuticals Ltd. (Sub. of Ambalal Sanatkumar Enterprises Ltd.)	Sarabhai	"The undertaking of the Company was established prior to Industries (Development & Regulation) Act, 1951 coming into force. The company has been advised that the installed capacities should therefore be deemed to be Licensed capacity." (AR 1980-81, p.43)

Notes: 1. EERA status is shown as in 1974 when the Act came into force.

2. AR in Col.3 denotes Annual Report of a company for the specified year.



like Warner-Hindustan who claim that "It is not possible to ascertain or determine such licensed capacities". There are of course cases like Shaw Wallace and Mohan Meakin which did not report their licensed capacities because one of their units was licensed without any limit. It is significant to note that Hindustan Motors and Mohan Meakin both being dominant undertakings in their respective principal line of products, namely, passenger cars and beer, are not constrained by capacity restrictions. (See remarks in the Appendix-VI).

As mentioned earlier, in practice it seems to be the manufacturers themselves who decide if the products manufactured by them fall under the Scheduled Industry classification or not. The same seems to hold true with regard to the industries reserved for the small scale sector. The decision to respect the reservations policy is, like the ILS in general, more a matter of the manufacturer's own and voluntary choice and less a decision of the administering agencies.

Products Reported - Clubbing of Licences

The fourth interesting feature, as revealed in the Review is that many of the companies report licensed capacities as well as production for goods in such terms which have virtually no meaning and would make a mockery of any regulatory system. For instance, Glaxo has reported that the company held a licence for production of 576 million "tablets" and "capsules". Sandoz similarly reported licensed capacities for a 'class of goods' which was identified as tablets, capsules, granules, ointments, liquids-orals and injectables. Boots, Ciba-Geigy, Parke-Davis, Hoechest and Roussel Pharmaceuticals report capacities in the same style. This is like stating capacities in terms of parcels and packages without indicating what products are contained in these. A 'tablet', a 'capsule', 'liquid' or 'foil' is a form of packing and does not reveal what medicine or the active ingredient it contains. Equally meaningless is the reporting of

Atul Products of its 676 MT capacity of "Drugs and Pharmaceuticals" as a product.¹⁸ The practice of clubbing a number of specific and individual products into one undefined category seems to be quite a common practice. J.K. Chemicals Ltd., provides a typical example of mixing up different products. It reported a combined licensed capacity of 11,008 MT for (i) sodium hydrosulphite, (ii) sodium sulphoxylate formaldehyde (jekolite), (iii) caustic soda, (iv) liquid chlorine,, (v) hydrochloric acid, (vi) sulphur dioxide, (vii) zinc chloride, and (viii) zinc oxide.¹⁹ It may be noted that the company is a dominant producer of sodium hydrosulphite, one of the chemicals included in the products forming part of the mix for which the licensed capacity has been reported.

The prevalence of the practice of clubbing a number of separate licences in Company Annual Reports is also indicated by a number of other important cases. For example, Atlas Copco in its Annual Report for the year 1979 stated that

In respect of "Rock drills and pusher legs, other pneumatic equipment, Aqua rigs and mechanised drilling equipment" the licences issued to the company list various items each with a separate licensed limit. However, for the purpose of disclosure of licensed capacity, the individual items have been aggregated under the respective heads shown above.²⁰

Similarly, Chloride India reported that

Batteries for different types such as automotive (including motor cycle, scooter and heavy duty batteries) trainlighting cells, stationary batteries, ground starter and aircraft,

18. Atul Products Ltd., Annual Report, 1979, p. 36.

19. J.K. Chemicals Ltd., Annual Report, 1979, p. 19.

20. Atlas Copco (I) Ltd., Annual Report, 1979 p. 32.

defence portable, miner's cap lamp batteries, though covered by separate industrial licences have been grouped together as "storage batteries".²¹

Hoechst Pharmaceuticals Ltd. provides yet another example of this practice. It reports "Separate industrial licences for production of various items of basic drugs and formulations have been grouped together."²² This practice has to be seen against the statutory obligation to treat an article of manufacturing as a separate one for licensing purposes, if it "bears a mark as defined in the Trade Mark Act, 1940 or which is subject of a Patent."²³ It appears that the requirements under the Companies Act are inadequate for getting a clear picture of the holding and utilization pattern of industrial licences by the companies as they do not take note of the sub-limits mentioned in various licences and the location of manufacturing.²⁴

This practice of non reporting by specific commodities can be an effective cover to conceal sensitive or controversial information. For instance, it may be recalled that the DGTD had found that the Tata Iron and Steel Company in the mid-sixties was producing 'Bolts and Nuts' (now an item reserved for the small scale sector) at more than three times its licensed capacity.²⁵ But the Company's Annual Report for the year 1980-81 reveals no licensed capacity or production data on 'Bolts and Nuts'. In all probability the item 'Bolts and Nuts' has now been clubbed with other items and is now a part of the reported 'Saleable Steel'. It is not that the company has ceased to produce 'nuts and

- 21. Chloride India Ltd., Report and Accounts for the year ended 31st August, 1979, p. 22.
- 22. Hoechst Pharmaceuticals Ltd., Annual Report, 1980, p. 25.
- 23. Guidelines for Industries, 1979, Part I, p. Sec. 1-5. (Emphasis added)
- 24. Also see foot note 1 above.
- 25. ILPIC Report, Appendices, Vol. III, p. 59.

bolts'.²⁶ The Handbook of Indigenous Manufacturers (Engineering Stores) continues to show the TISCO as a manufacturer of industrial fasteners such as bolts, nuts, studs, and screws.²⁷ In the case of multinational drug companies it has already been noted that reporting data in vague terms helps them in making "all sorts of claims relating to the high technology nature of production, the amount of vital drugs produced and so on".²⁸

The practice of clubbing of different commodities makes the identification of the number of licences held by a company and the individual utilization rates a near impossibility. For instance, it was reported in the Economic Times dated October 8, 1981 that "In all Glaxo has 13 industrial licences for the manufacture of 32 bulk drugs, and out of these 21 items covered under various licences are yet to be manufactured by the Company". In contrast to this, the company reported licensed capacities for ten different items only, namely, (i) chemicals (ii) vaccines, (iii) formulations-liquids, (iv) formulations-antibiotic vials, (v) formulations - tablets and capsules, (vi) formulations - solids, (vii) medical dressings, (viii) cosmetics etc. - powders, (ix) cosmetics - lipsticks and (x) foods.²⁹ One single item 'chemicals' is representing 13 industrial licences. Indian Dyestuff Industries Ltd. provides yet another interesting example of reporting of capacities and production data. The company reported information on 11 different items for the year 1975-76.³⁰ But since 1976-77, it has been giving the information after clubbing important items, namely, (i) dyes, (ii) dyes-intermediates and (iii) heavy inorganic chemicals. The company

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- 26. Tata Iron & Steel Co. Ltd., Annual Report, 1980-81, p. 45
 - 27. INDIA, Directorate General of Technical Development, Handbook of Indigenous Manufacturers (Engineering Stores), 1980, p. 146.
 - 28. Nagesh Kumar and Kamal Mitra Chenoy, "Multinationals and Self-Reliance: A Case Study of the Drugs and Pharmaceutical Industry", Social Scientist, Issue No.107, April 1982, p.27.
 - 29. Glaxo Laboratories (I) Ltd., Annual Report and Accounts for the year ended 30th June, 1979, p. 18.
 - 30. Indian Dyestuff Industries Ltd., Annual Repor, 1975-76, p. 38.

takes the view that the "class of goods is based on classification given in the Industries (Development and Regulations) Act, 1951".³¹ This indicates how companies attempt to defeat the purpose of the provisions of the Companies Act by following the IDRA classification. Due to this tendency, the number of items reported in the Annual Reports may be much less than the licences held. Accordingly, the number of licences reported and the pattern of utilization observed in the Survey of industrial capacities may also have got influenced by this type of reporting.

The fifth practice noticed is that many of the reporting companies do not give licensed and installed capacities, and production figures in the same measurement units. For instance, while Fit Tight Nuts and Bolts Ltd. (a dominant undertaking under the MRTP Act) reported licensed and installed capacities in metric tonnes, actual production figures were given in terms of number of pieces produced.³² Similarly, it would not be possible to compare the licensed capacity of 25 lakh pounds of tufted carpet/yarn and production of 5,75,983 sq. metres of 'machine made carpets', 4,419 sq. metres of 'hand made carpets' and 7,05,365 kg. of 'carpet yarn' reported by Modi Carpets Ltd.³³ Similarly, Anil Starch Products reported a licensed capacity of 1,104 M.T. of 'iron and steel forgings' while production was reported as 1,62,652 numbers.³⁴ Bharat Gears, in the case of its only item of manufacture, reported its licensed capacity of 'gears and gear worms' in terms of metric tonnes while production is reported in terms of numbers.³⁵ Similarly, Platewell

- 31. Indian Dyestuff Industries Ltd., Annual Report, 1976-77, p. 42.
- 32. Fit Tight Nuts and Bolts Ltd., Annual Report, 1978-79, p.31.
- 33. Modi Carpets Ltd., Annual Report and Accounts, 1980, p.29.
- 34. Anil Starch Products Ltd., Annual Report, 1981, p.28.
- 35. Bharat Gears Ltd., Annual Report, 1980-81, p.26.

Processes reported a licensed capacity of Rs.60 lakhs of 'electro-plating equipments, plant and machinery' while the production is reported as 83 numbers.³⁶ Sandvik Asia reported a licensed capacity of Rs.30 million worth of 'Sandvik coromant tools, milling cutters' etc., while production is reported as 2.68 lakh numbers.³⁷ In such cases one cannot be sure if the capacities and production data reported by other companies were as per original licence, or whether the companies were only reporting licensed capacities after suitably converting the units of measurement to enjoy advantages of flexibility.³⁸

As already mentioned earlier in Chapter-II, the problem of non-comparability is an acute one in the case of sugar, jute and textile industries. There can be genuine reasons that in certain industries it may not be easy to have uniform measures for capacity and production. But it needs to be underlined that for a meaningful implementation of ILS, there is a need to bring the units of measurement of capacities and production to comparable terms.

Ambiguities Caused by 'Shifts' of Operation

The sixth interesting feature revealed in our Review is with regard to the very concept of capacity and the manner in which this was sought to be brought on to a uniform basis in 1975.³⁹ In

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- 36. Platewell Processes & Chemicals Ltd., Annual Report & Accounts, 1979, p. 18.
 - 37. Sandvik Asia Ltd., Annual Report, January-December, 1980, p.36.
 - 38. For instance, Mafatlal Industries in its Annual Report for the year 1981-82 explains that the licensed capacities of dyes and dye intermediates have "been shown in tonnes for the sake of uniformity". (p.46). Champdany Jute Co. Ltd., informs that the "licensed capacity has been estimated by company's Mill Manager on the basis of licensed spindles." (Director's Report and Accounts for the Year Ended 31st March, 1980, of the company).
 - 39. In fact, since 1963, capacities are being endorsed on licences on maximum utilization basis. In 1972, Government introduced a scheme under which licences issued earlier on single or double shift basis can be endorsed on maximum utilisation basis. This was applicable to a number of industries. The Government extended the scheme to all industries in 1975.

spite of many years having passed, some companies continued to report, even in 1979, the capacities on shift basis. For instance Crompton Greaves, G.E.C., Hindustan Lever and Johnson & Johnson reported capacities in terms of shifts in their Annual Reports for the year 1979. In fact, the foot notes in the Annual Reports can be so vague as to leave a large scope for multiple interpretations. The reported interpretation by Johnson & Johnson in its 1981 Annual Report is a case in point. The company observes:

...(its) Industrial Licence does not specify the number of shifts. The Company's contention is that the figures quoted therein are on single shift working. The original application of the company for an Industrial Licence was made on that basis. Licensed capacity per annum on triple shift basis in respect of products covered by Industries (Development and Regulation) Act, 1951 and manufactured by the company during the period were reported...⁴⁰

It is obvious from the above that the company is reporting licensed capacities on triple shift basis even before it obtained requisite permission from the Central Government. It is not only that licensed capacities and production are in terms of varying shifts; one also comes across cases where 'days' and 'months' are also brought in to further confuse the issue. Ciba-Geigy of India Ltd. provides an interesting example of this practice. The company reported its installed capacities of pharmaceuticals, textile auxiliaries, agricultural materials and intermediates on the basis of three shift working, while those of cosmetics viz., toothpastes, powders and creams in terms of triple shift - 7 days/week basis.⁴¹ One would like to know why '7 days per week' has been chosen as the basis of reporting the installed

40. Johnson & Johnson Ltd., Annual Report, 1981, Schedule II (emphasis added).

41. Cf. Ciba-Geigy of India Ltd., Annual Report, 1981, p. 17.

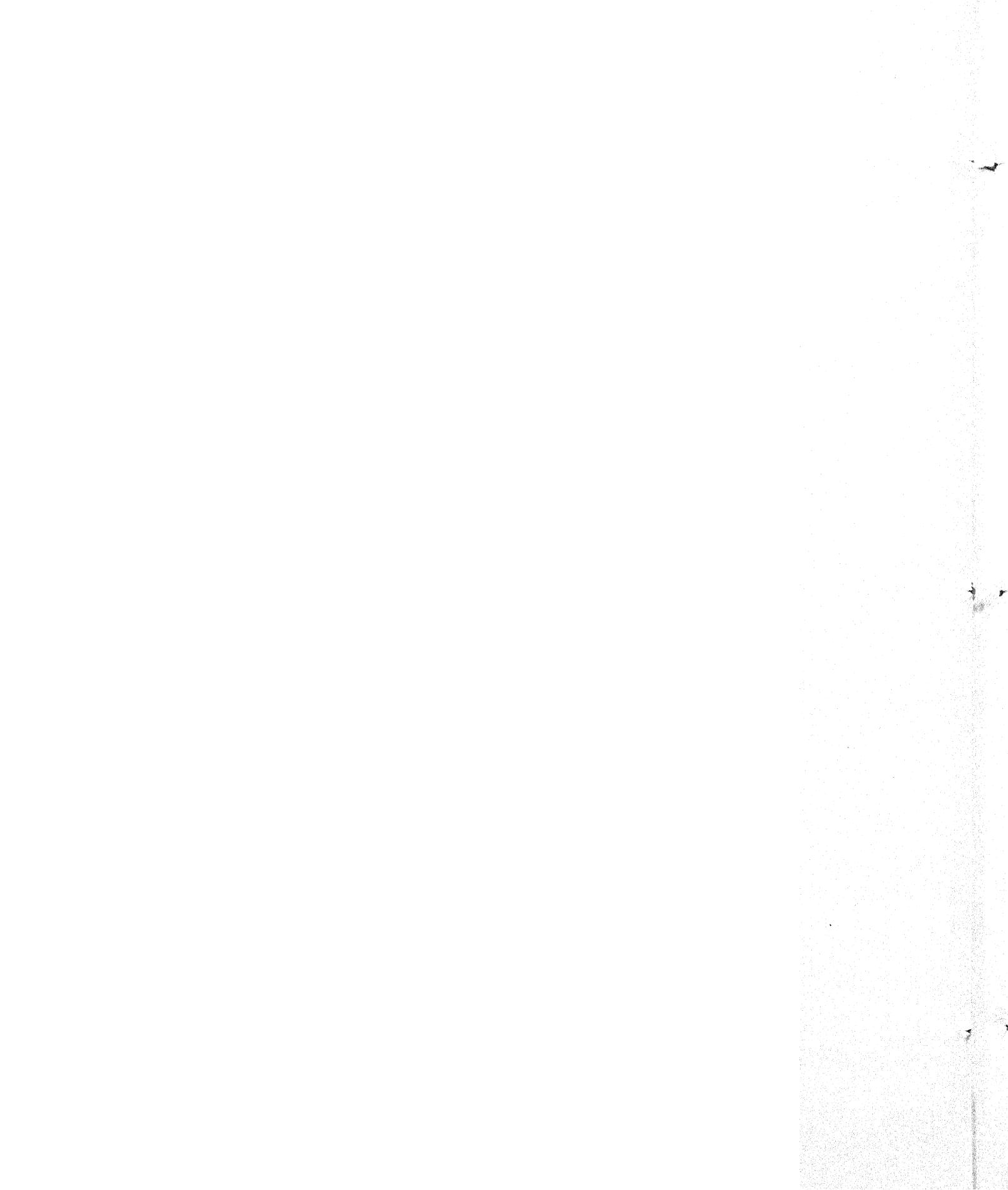
capacities in the case of cosmetics only. The answer may be found in the fact that the company claimed 'deemed recognition' of its installed capacities in the case of these items which fact has been shown in Table-IV.l.

The practices mentioned above appear to be widespread. The basic thrust of the practices is to present data and information which does not reveal the true picture on any aspect of the effective functioning of the Industrial Licensing System.⁴² Various provisions of the IDRA and the Companies Act get evaded, ignored and violated. Since the corporate entities have been submitting their annual reports, technically speaking, they cannot be accused of keeping their own viewpoint secret. All reports are sent to Government. The responsibility to take action would seem to rest with the Government and its regulating wings. It would be difficult for the Government to take a position that these facts were not possessed by it or brought to its notice. There may be very genuine legal and technical reasons which may not allow specific action being successfully pursued to penalise the violations; but how long can the Government continue to take the plea that it is a helpless spectator? On what lines should the action be initiated to have effective regulations? As at present few seem to be afraid of the licensing system. The ILS is, perhaps, more a fiction than reality.

42. For instance, instead of reporting the actual licensed capacities sanctioned to it, Parke-Davis (India) Ltd. states: "The Industrial undertaking was established prior to the enactment of the Industries (Development & Regulation) Act, 1951 and accordingly its authorisation to manufacture consists of the following: (i) the registration (R/22/68) dated 7th November, 1952 under the Industries (Development and Regulation) Act, 1951 in respect of the manufacturing activity/capacity of the Company prior to the enactment of the said Act, (ii) licences and letters granting permission to manufacture certain products in respect of which the capacities have not been quantified, (iii) licences and letters which indicate sub-limits of capacity for individual items of manufacture detailed therein." (Cf. Annual Report, 1981 of Parke-Davis (India) Ltd. p.19). Thus, the company succeeded in withholding information on the actual capacities authorized to them.

CHAPTER-V

CONCLUSIONS



The Industrial Licensing System (ILS) is, on the one hand, restrictive and, on the other, a permissive mechanism. This system, when accompanied by appropriate promotional policies and direct interventions by the state, can play an important role in bringing about ordered industrial development. The Indian ILS owes its legal basis to the Industries (Development and Regulation) Act, 1951 -- a statute that was conceived prior to the initiation of the process of planned national development and is modelled on a similar enactment of the United Kingdom.¹ It is often believed that the ILS has been heavily relied upon for regulating industrial investments to curb duplication and creation of excessive capacities (in addition to restricting entry of certain categories of investors in specified industries). The establishment of such excess capacities involves excessive capitalization in the industry and a diversion of scarce national resources to non-priority areas. The results of this study have to be seen against this overall national framework. They should help also to assess the degree of effectiveness of the ILS in regulating national industrial development. The Survey of industrial capacities in the large private sector (Chapter-III) provides an empirical basis for an objective analysis. The Survey results are contrary to some of the widely held beliefs and assumptions of Indian policymakers.

The degree of success of all regulatory mechanisms is considerably dependent upon the reporting system and the efficiency of the monitoring system to take note of lapses and promptly to initiate necessary remedial action, including measures against those who have indulged in evasion or avoidance of the regulatory public policies. If it so happens that

1. Cf. Goyal, S.K., "Industrial Regulation: A Trend Report", published in A Survey of Research in Public Administration, Volume Two, Indian Council of Social Science Research, New Delhi, 1975.

information is officially asked for but is neither compiled nor analysed, those who are required to submit information can easily indulge in violations of law and policy without fear of any punitive action or even detection. This study provides a review of the reporting practices of the private corporate sector with a special focus on the functioning of the ILS. By its very nature, the Review (Chapter-IV) is illustrative. The instances cited are many and the purpose is to highlight the need for a comprehensive monitoring system so that large industrial investments do not remain unregulated and devoid of a social and developmental perspective.

Some of the major conclusions emerging from the Survey are the following:

1. After the issuance of industrial licences there seems to be no machinery to ensure that licences do get implemented. Licensees are often able to keep the licences unimplemented for years together without facing the prospect of revocation. It is because of this that in nearly 7 per cent of the licences studied the licensees had not taken adequate steps to install productive capacities. In a little more than 20 per cent of the cases the capacities had been utilized by less than 75 per cent of the authorization. In about 20 per cent of the cases, the capacities installed were in excess of the licensed ones. Out of these in case of 11 per cent (344 licences) the licensees installed capacities in excess of their licensed capacities by more than 25 per cent. The fact that there is no obligation to implement the licences, together with the widespread phenomenon of excessive installation would suggest that the level of licensed capacities need not bear a direct relationship to the level of industrial capacities installed even by the large organized private corporate sector of the country. If planners have to go by the official statistics

- with regard to capacities, policies and programmes would inevitably be formulated on the basis of wrong assumptions and expectations and projections based on unreliable data.
2. A comparison of the actual level of production reported by the licensees with the capacities licensed reveals that in over 20 per cent of the total cases, no production had taken place. In another 25 per cent cases, production was less than 25 per cent of the licensed capacity. In all, in a little more than two-thirds of the cases, the licences were being utilized only to the extent of 60 per cent of the capacities. However, in over 11 per cent of the cases production exceeded the capacities licensed. Some of the licensees have been producing at levels exceeding twice the capacities licensed. 64 cases of this kind are identified in this study. In a country where the need to raise productivity and achieve better utilization of the invested capital is so well recognized, it normally would appear to be a welcome proposition if some enterprises could achieve a higher level of production than what they were authorized to produce. One could take a position that higher production should be appreciated rather than frowned upon by the taking of a narrow legal view. There would certainly be good cause for this view, provided the items produced by these companies were not in violation of other economic policies. The 64 cases have been examined from the viewpoint of the products they pertain to. In most of the cases the products were of low priority or were reserved for the small scale sector or one of the 'specially regulated industries'. The entry of large industry in products earmarked for production in the small scale sector cannot but be against the very spirit of the declared policies of the Government.
 3. Just as the installed capacities do not always correspond to the licensed capacities, the production levels reported by the large corporate sector do not fully relate to the

capacities installed. In nearly two-thirds of the cases production was less than 60 per cent of the installed capacity. Only one-fourth of the licences are being utilized fully, i.e. at levels of more than 75 per cent of the installed capacities.

4. The Indian public sector has often been criticised for poor efficiency. But if one compares the performance of the two sectors in terms of capacity utilization, one finds that the performance of public sector was far better than that of the large private sector. Out of the total of 131 Central Government Public Enterprises, 47 per cent of the units had a capacity utilization rate of more than 75 per cent. The proportion of licences falling in the same category was only 24.5 per cent in the case of the large private corporate sector.
5. These industrial capacities could not have been created without a corresponding claim on the scarce national resources in general and company financial resources in particular. The existence of unutilized capacities to so great an extent means that society is being deprived of economies of scale while consumers are being denied possibilities of lower costs. The consequences of the high level of depreciation permitted at present on plant & machinery, combined with gross underutilization of capacities, can bring about growth only at a high cost. Such companies might survive on the basis of a captive Indian market but would not be able to face even mild international competition.
6. The poor utilization of the industrial capacities was not peculiar to any single category of entrepreneurs in the private sector. The assumption that monopoly house companies and companies associated with transnational corporations, having vast financial and managerial capabilities, a well established marketing network and other

advantages, would have a better record of capacity utilization, does not appear to have significant supporting evidence. The performance of the companies belonging to the two Largest Houses of the country, namely, Tatas and Birlas, is also not found to be any better. For instance, 75 per cent of the licences held by the Tata companies covered in the Survey and 58 per cent of those held by the Rirla House companies studied were not being utilized even to the extent of 60 per cent.

7. Large and excessive investments have already been made in most parts of the Indian industrial sector. One consequence of lower utilization would be a high capital output ratio for the economy as a whole. The phenomenon of over capitalization could either be due to or in spite of the existence of the ILS. If the large private sector has been authorized to make investments which are far in excess of the absorption capacity and needs of the economic system, the fault would obviously lie with the rationale and system of planning that fixes the outer limits within which the ILS should operate. There is a need for an objective assessment of the process by which industry-wise plan targets are determined. On the other hand, if the private sector has made large investments without caring to respect the ILS, there is an obvious need to improve the follow up and monitoring system. Additionally, it is equally important to devise ways and means to ensure that the industrial capabilities do not remain unutilized for considerations of monopoly profits and other restrictive practices.
8. To the extent that the industrial licensing system (ILS) permits and protects the licensees from new entrants in the scheduled industries, the state has a moral responsibility to control production, distribution, pricing and the quality of the industrial products.

9. It is an interesting feature of the operation of the ILS that while in a large number of products of the Scheduled Industries the utilization of industrial capacities is extremely poor, the very licensees responsible for this often produce far in excess of the authorised capacities in respect of some other products. This suggests that there could have been considerable diversion of resources and raw materials obtained in the name of one licence to the production of items being produced under another licence. It would also shed doubt on claims often made that particular licences were not implemented on account of bottlenecks like lack of power and so on. Among the undertakings which held multiple licences and had been utilising their installed capacities at a low level for some licences while undertaking production far above their authorisations in respect of certain other products, the most important single group of companies was that of transnational corporations.
10. The violations of the ILS, in terms of the undertaking of production beyond the licensed capacity often in non-priority sectors, are confined to 102 out of 769 companies of the Survey. If these companies are grouped according to the ownership and control characteristics, the most prominent category of companies, responsible for this kind of violations of the IDRA, turns out to be that of the transnational companies.
11. One observes an unmistakable trend of gradual reduction in the scope and coverage of the ILS over the years. This is a consequence of successive upward revisions in the exemption limit from licensing and exemption of certain industries from its scope. Frequent amendments in the procedures of ILS have made the issue more complex. Furthermore, the ILS leans heavily on the provisions of the Monopolies and Restrictive Trade Practices Act, 1969 and the Foreign

Exchange Regulation Act, 1973 for its administration. It has been observed that these Acts have their own limitations in terms of their coverage. To that extent, the scope of the ILS also gets limited.

12. The reporting of data and information on industrial capacities by private managements is certified neither by any technical agency nor by the auditors. The declaration is issued only by the managements themselves. This practice leaves a large scope for the company managements to present facts in a manner convenient to them instead of revealing the true picture.
13. Inter-industry differences in the pattern of utilization of industrial capacities revealed that the level of utilization of licences, in terms of actual production, was worse in the case of capital goods sectors (like industrial machinery, metal products and basic metals), than in the case of consumer goods industries like alcoholic beverages, tobacco, textiles, paper, ceramics and intermediates like rubber products, chemicals, cement etc. In terms of utilization of installed capacities too, the performance in respect of alcoholic beverages, tobacco, textiles, paper, non-metallic mineral products was better than in regard to the others.
14. A detailed study of a specially regulated industry viz. alcoholic beverages, revealed that the ILS was wholly ignored by most of the important companies in this industry. While the industry was on the banned list for many years, the companies have gone ahead with their expansion plans. The larger producers of alcoholic drinks have been able to avoid regulation under a variety of pleas. The gap between the declared policies and the actual practice is so large that one is led to wonder if there was indeed any regulatory system in this country or whether the existence of the ILS was merely a matter of fiction.

15. Violations of the ILS have been frequent and many specific cases have been brought to Government notice by committees like the ILPIC and the Hathi Committee. But no one has ever been penalized for the violations. The government is reported to be helpless in dealing with such cases as the violations have been detected after more than one year and thus penal action has been time barred. One wonders if this plea can be justified even after three decades of the functioning of the ILS which provided ample time to remedy any lacunae in the concerned laws.
16. The Review of Annual Reports revealed that a good number of large sized companies claim 'non-applicability' of the provisions of ILS either for all or for some items of their manufacture. These companies included MRTP House companies and transnational corporations. Interestingly enough, a few companies which claimed 'non-applicability' of the licensing system to themselves, happened to be the market leaders in these very items. It is also often found that in respect of the same product, one company indicates its licensed capacity while another claims non-applicability of the licensing provisions in respect of that very product. In certain cases even while a company reported licensed capacity for a product, its subsidiary, claimed 'non-applicability' of the ILS for the same product.
17. A number of companies claim to have established manufacturing capacities prior to the enactment of the IDRA. Thus they take the position that instead of an industrial licence they held Registration Certificates (under Section 10 of the Act) which did not specify any productive capacities. The provision of specification of productive capacities on registration certificates was introduced only in 1974 i.e., after the licensing system had already functioned for nearly 24 years. Apparently, the companies concerned had till then been enjoying the freedom to expand

and determine their own capacity without showing any regard to the ILS. The companies which were thus virtually unconstrained by the licensing regulations included some of the dominant undertakings registered under the MRTPA and those belonging to transnational corporations. These companies are in continuous legal battle with the Government and have been contending that the capacities they claim to have installed should be treated as their licensed capacities. One cannot be sure of the legal implications but it is obvious that such practices cut at the very root of all efforts to ensure regulated planned development.

18. A number of companies of the private sector report their licensed capacity in terms which, if permitted by the authorities, would suggest that the ILS was deliberately being deployed to promote and protect private monopolies of the few. For instance, if a company reports that its licensed capacity was the 'entire country's demand', 'unlimited' or 'un-specified' it would imply that the authorities had allowed it to exercise monopolistic power in the Indian economy. We had, however, no means to verify if the Government had indeed issued licences with such authorizations. That is to say we were unable to determine whether the manner in which the companies concerned presented this information had, in fact, been sanctioned by the government.
19. A host of companies report capacity/production statistics in such an ambiguous manner that it makes a mockery of the ILS. The drugs and pharmaceutical industry provides a typical example. A large number of important companies in this industry report capacity and production in terms of the forms of packings (like 'tablets', 'liquids', 'ointments', 'capsules' and so on) which has no relationship with the content or product manufactured. For one company the entire range of 'drugs and pharmaceuticals' formed one category for

purposes of licensed capacities and production. This practice has to be viewed with reference to the Companies Act requirements under which the capacity and production data has to be given for each licence held by the company. Such aggregations make it possible for the company concerned to hide the composition of the actual production. This might also enable a company to concentrate on the production of some items while not producing others at all. Furthermore, each industrial licence is location specific and a number of licences have been granted for rapid development of the backward areas. Reporting of production in general and aggregate terms makes it possible for a company holding more than one licence in respect of the same item for various regions, to concentrate production of the entire licensed capacity at one location while producing nothing at the rest. Some companies give information and data on capacity licensed and production in different units of measurement. This makes it impossible to assess the extent of utilization of the installed capacities.

20. Another ambiguity of the ILS is caused by the fact that references to capacities are made in terms of differing numbers of shifts. The shift basis was replaced in 1963 by the 'maximum utilization' criterion. In 1972 it was directed that licensees operating in a few specified industries should get their licensed capacities endorsed on maximum utilization basis. Despite increasing the scope of this policy in 1975 to cover all industries, a number of companies continue to report their licensed capacities on shift basis.
21. One gets an impression that the Government is unable to implement the ILS as many important companies are offering stiff resistance to the acceptance of Government directives. This is true at least with regard to the question of a standardized basis for determining licensed capacities. The

same problem exists with regard to reserved items, not to speak of the conditions like, export obligations and so on which are often attached to the industrial licences. There are many other loopholes in the ILS, especially in the taking of any legal and punitive action against defaulters. Interestingly, the Estimates Committee (1980-81) was informed by the Ministry of Industry that the government had no power to deal with companies that claimed that production higher than authorized capacity arises as result of greater efficiency in the use of installed capacity. Apparently, there is no machinery even for checking on such claims. If one leaves aside past history, can the Government now claim that it has acquired the necessary power to be effective in this matter? Is it Parliament which has held back the enactment of the necessary legislation? Or is it the absence of a will to curb violations of the regulations in the first place?

Has the ILS been an effective instrument in the pursuit of regulated industrial development? The empirical evidence leads one to doubt whether the ILS has been able to restrict or curb over capitalization in the organized large private sector. If the licences had been granted with care and the desired scrutiny, the economy would not have been loaded with such levels of excess capacities. The general thrust of industrial policy in the last one decade, however, has been that the Government apparently prefers to avoid all possibility of any objection or criticism from the private sector in general and the more influential industrialists in particular. Successive ministers of Industry have, on one occasion after another, taken pride in showing how fast industrial licences can be issued to promote industrial development. It is a wholly mistaken notion, that granting of industrial licences freely can promote industrial development. In fact, planned development does not imply higher investments alone. The achievement of higher level of investments is also sought by societies which make no pretense of being planned

economies. The distinguishing mark of a planned society is in the 'pattern of investments'. In a planned society, the objectives of the ILS are very closely related to the pattern of Plan outlays and the identification of and support for priority industries. These must naturally be accompanied by a strong and effective mechanism to curb the diversion of capital and other resources for the creation of excessive capacities in low priority areas.

The fact that the organized large private sector in India has acquired industrial capacities that remain grossly under-utilized is a consequence of the liberal licensing policies pursued in the past. If Government policies tend to move towards further liberalization of the ILS and other regulations, the Indian economy cannot expect to achieve the social and economic objectives that the country is committed to pursue in a planned system. In fact, it is questionable whether the Indian industrial sector can avoid the crisis in which it finds itself, merely through a dismantling of the ILS, or by adopting more liberal policies.

The need for discussing the alternative policies and programmes that may be available to meet the challenges, is only too obvious.

APPENDICES



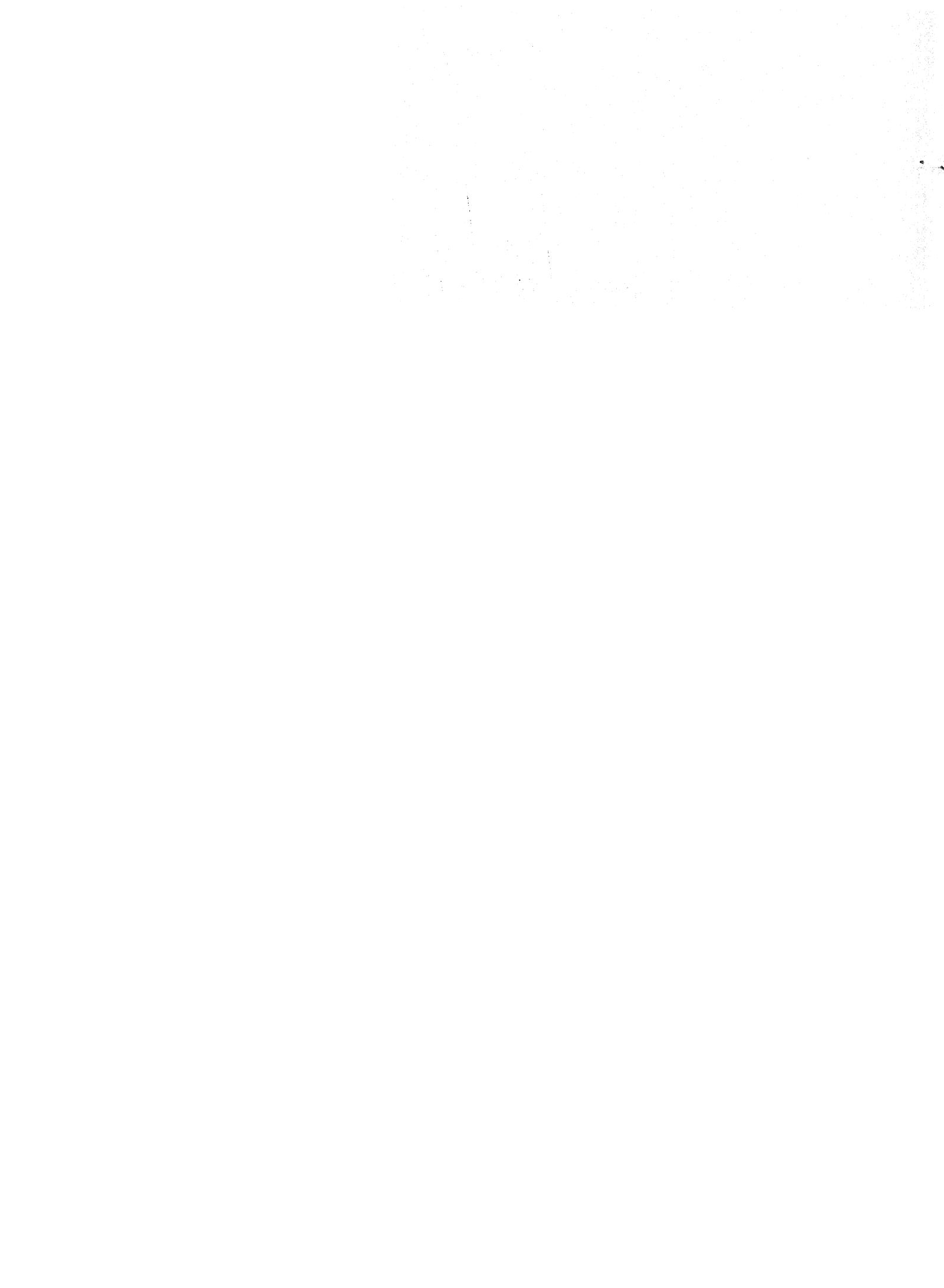
APPENDIX-I

Showing a List of Companies Producing at More Than Double Their Licensed Capacities
of Products Falling Under 'Specially Regulated Industries'

S. No.	Name of the Company	Product	Unit	Licensed Capacity	Actual Production	Percentage of Excess Capacity Utilization	House FERA/Rirla@
1	2	3	4	5	6	7	
1.	AFV Engineering	Fruit Juice De-aerators Pasteurisers	Nos.	3	8	166.7	
2.	Bayer (I)	Pesticides/Powders	Tonnes	1882	28139	1395.2	FERA
3.	Bayer (I)	Tablets/Capsules	'000 Nos.	48150	283552	488.9	FERA
4.	Brindavan Allays	Rolled Products	Tonnes	5000	10209	104.2	Others
5.	Glaxo Laboratories	Foods	Tonnes	4120	8673	110.5	FERA
6.	Glaxo Laboratories	Solids & Powders incl. Ointments & Malt	Tonnes	184	654	255.4	FERA
7.	H&M	Ghee & Butter	Tonnes	255	743	191.4	FERA
8.	Hindustan Lever	Milk Powders incl. Baby Food	Tonnes	874	1967	125.1	FERA/Hind Lever
9.	Hindustan Lever	Processed Triglycerides/ Hydrogenated Oils/Vanaspati	Tonnes	44624	101347	127.1	FERA/Hind Lever
10.	Pfizer	Protein Hydrolysate	Tonnes	110	289.5	163.2	FERA

Note: FERA status is shown as in 1974 when the Act came into force.

@ CIS Classification



APPENDIX-II

Showing a List of Companies Producing at More Than Double Their Licensed Capacities
of 'Products Reserved for Small Scale Sector'

S. No.	Name of the Company	Product	Unit	Licensed Capacity	Actual Production	Percentage of Excess Capacity Utilization	House Association
1	2	3	4	5	6	7	
1.	Kesoram Inds. & Cotton Mills	Sodium Sulphide	Tonnes	70	140	100.0	Birla
2.	Tata Oil Mills	Soaps	Tonnes	40787	95045	133.0	Tata
3.	Oudh Sugar Mills	Soaps	Tonnes	1800	4955	175.3	Birla
4.	Guest Keen Mill [*] ms	Safety Pins	000 Nos.	224640	588052	161.8	FERA/GKJ
5.	Hindustan Lever	Soaps	Tonnes	70108	162278	131.5	FERA/Hind Lever
6.	J L Morrison	Medicated Toothpaste	Kgs.	31250	67196	115.0	FERA
7.	Britannia Inds.	Biscuit & High Protein Food	Tonnes	3600	34907	869.6	FERA
8.	Parim Chemicals	Parim Carbonate	Tonnes	600	1323	121.0	Parimac
9.	Travancore Chemical & Mfg. Co.	Copper Oxychloride 50% WDP	Tonnes	300	749	149.9	Others
10.	Wood Polymers	Plastic Laminates	Tonnes	980	2157.66	120.2	Pranlal Bhogilal@
11.	Modi Industries	Washing Soap	M.T.	1500*	3024**	101.6	Modi

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@ C.I.S. Classification.

* Annual Capacity based on 125 tonnes per month.

** Production reported for 18 months has been proportionately reduced for 12 months on a pro-rata basis.



APPENDIX-IIIA Note on the CIS House Classification

While the Directive Principles of State Policy place an obligation on the state to ensure that the economic system of the country does not operate in a manner that would lead to furtherance of concentration of economic power in private hands, there had been no specific official guidelines upto 1970 regarding to Large Industrial Houses. The licensing policy of February, 1970 restricted the further expansion of Large Houses into certain capital intensive and/or technology intensive sectors, leaving the opportunities in the remaining sectors primarily to other classes of entrepreneurs. For operationalization of ILS it is of significance to determine composition of the 'Large Houses'. The Monopolies Inquiry Commission and the Industrial Licensing Policy Inquiry Committee (ILPIC) provided lists of companies under the control and management of 75 large industrial Houses. These lists were adopted by the Government till February 1973, when the concept of 'Larger Houses' was replaced by 'Group of Inter-connected undertakings' and 'companies registered under the MRTP Act'.

The MRTP Act suffers from a number of lacunae. For instance, the option to register under the Act as 'inter-connected undertaking' is in the main with the company itself. The MRTP-Act - registered companies are supposed to be subjected to additional restrictions in matters relating both to the IDRA and the Companies Act. The MRTPA companies, for instance, are not supposed to take advantage of de-licensing of certain Scheduled Industries as announced in 1975, or the exemptions to the ILS, provided under the February 1973 Notification. These companies are also restricted to enter manufacturing of products reserved for the small scale sector.

Industrial Houses, for obvious reasons, would like to keep as many companies as possible outside the scope of the provisions of the MRTP Act. A number of House companies, avoid registration under the MRTP Act by manipulating shareholding structure and Boards of Directors in a manner that enables them to get out of the legal obligation to be treated as part of the controlling House.¹ De-registration from the Act, by partial disinvestment or by issuing further shares to take advantage of the liberalizations in the ILS, is also not an infrequent practice. Lakme Ltd. (a subsidiary of Tata Oil Mills Co. Ltd.) and Genelec Ltd. (a subsidiary of General Electric Co. of India Ltd.) are cases in point. Thus, for purposes of economic analysis or policy discussions it is not sufficient or realistic to treat only the MRTP-Act-registered companies as constituents of the Monopoly Houses. The composition of Houses, as determined by the ILPIC is considerably outdated. Apart from the changes in the ownership and control of many companies, a number of new companies have got promoted or acquired by most of the Larger Industrial Houses. This calls for a fresh attempt at identifying House-composition. For the purpose of this Survey, i.e. to find the relative performance of various classes of companies in implementing the licences a limited exercise, aimed at identifying each of the 769 companies included in the Survey as per their association with Large Industrial Houses or other smaller but well-knit groups of companies was undertaken.² While determining the association we took note of the company history (e.g. an identification of the promoters), the composition of the Board of Directors (e.g. inter-locking of directorships and personalities known to be belonging to a House/Group), share-

1. Cf. Goyal S.K., Monopoly Capital and Public Policy, Allied, 1979, in particular Chapter-III on House Composition.
2. The Houses that were already identified by the ILPIC or were registered under the MRTP Act are referred to as 'Large Houses' and the groups of companies having established their separate identities are categorized as 'Other Groups'. See:Table-III.8 and III.11.

holding pattern (e.g. top shareholders as well as inter-corporate investments), and other linkages like the sharing of common facilities, sole selling agencies etc. This is in conformity with the criteria adopted by ILPIC. We have taken note not only of the findings of the Industrial Licensing Policy Inquiry Committee, but also of the report of the Monopolies Inquiry Commission and of the registrations under the MRTP Act. The classification made by ILPIC has been accepted unless the present shareholding pattern demands otherwise. Foreign equity levels in various companies are determined on the basis of shareholding distribution schedules, company write-ups in the Bombay Stock Exchange Official Directory and Annual Reports and Prospectuses of the respective companies. The composition of the 'Top-20 Industrial Houses' obtained as a result of this exercise, based on which Table-III.10 has been prepared, is given below. The House Composition is done for the limited purpose of the present study on ILS. The House lists, therefore, are not comprehensive.

ACC

1. Associated Cement Cos. Ltd.

BAJAJ

1. Bajaj Auto Ltd.
2. Bajaj Tempo Ltd.
3. Beco Engineering Ltd.
4. Hercules Hoists Ltd.
5. Hind Rectifiers Ltd.
6. Hindustan Sugar Mills Ltd.
7. Kinetic Engineering Ltd.*
8. Maharashtra Scooters Ltd.*
9. Matchwel Electricals (I) Ltd.
10. Mukant Iron & Steel Works Ltd.

BANGUR

1. Andhra Pradesh Paper Mills Ltd.
2. Bengal Paper Mills Co.Ltd.
3. Fort Gloster Inds. Ltd.
4. Fort William Co. Ltd.
5. Graphite (I) Ltd.
6. Hastings Mills Ltd.
7. Hindustan Wire Products Ltd.
8. Jay Shree Chemicals Ltd.
9. Phosphate Co. Ltd.
10. Shree Digvijay Cement Co. Ltd.
11. Shree Vindhya Paper Mills Ltd.
12. Travancore Electro Chemical Industries Ltd.
13. West Coast Paper Mills Ltd.

BIRLA

1. A.P.V. Engg. Co. Ltd.*
2. Bally Jute Co. Ltd.
3. Bihar Alloy Steels Ltd. -
4. Birla Jute Mfg. Co. Ltd.
5. Central India Machinery Mfg. Co. Ltd.
6. Century Enka Ltd.
7. Century Spg. & Mfg. Co. Ltd.
8. Electric Construction & Equipment Corpn.
9. Gwalior Rayon Silk Mfg. (Wvg) Co.
10. Hindustan Aluminium Corporation Ltd.

11. Hindustan Gas & Industries Ltd.
12. Hindustan Motors Ltd.
13. Hindustan National Glass & Industries Ltd.
14. Hindustan Sanitaryware & Industries Ltd.
15. Hukumchand Jute Mills Ltd.

16. Hyderabad Asbestos Cement Products Ltd.
17. Indian Link Chain Mfrs. Ltd.
18. Indian Plastics Ltd.
19. Indian Rayon Corpn. Ltd.
20. Indian Tool Mfrs. Ltd.

21. Jay Shree Tea & Industries Ltd.
22. Jiyajeerao Cotton Mills Ltd.
23. Kesoram Industries & Cotton Mills Ltd.
24. Kusum Products Ltd.
25. Mysore Cements Ltd.

26. National Engineering Industries Ltd.
27. National Insulated Cables Co. Ltd.
28. National Rolling & Steel Ropes Ltd.
29. New Swadeshi Sugar Mills Ltd.
30. Orient General Industries Ltd.

31. Orient Paper & Industries Ltd.
32. Oudh Sugar Mills Ltd.
33. Rameshwara Jute Mills Ltd.
34. Sirpur Paper Mills Ltd.
35. Sirsilk Ltd.

36. Snowtemp Engineering Co. Ltd.
37. Somany Pilkington's Ltd.
38. Texmaco Ltd.
39. Tungabhadra Inds. Ltd.
40. Universal Plast Ltd.*

41. Upper Ganges Sugar Mills Ltd.
42. Zenith Steel Pipes & Industries Ltd.
43. Zuari Agro Chemicals Ltd.

CHOWGULE

1. Arlem Breweries Ltd.
2. Chowgule Matrix Hobs Ltd.

HINDUSTAN LEVER

1. Hindustan Lever Ltd.

I.C.I.

1. Alkali & Chemical Corpn. of (I) Ltd.
2. Chemicals & Fibres of (I) Ltd.
3. Crescent Dyes & Chemicals Ltd.
4. Indian Explosives Ltd.

J.K. SINGHANIA

1. Ganges Mfg. Co. Ltd.
2. J.K. Business Machines Ltd.
3. J.K. Chemicals Ltd.
4. J.K. Cotton Spg. & Wvg. Mills Ltd.
5. J.K. Industries Ltd.
6. J.K. Satoh Agricultural Machines Ltd.
7. J.K. Synthetics Ltd.
8. Raymond Woollen Mills Ltd.
9. Straw Products Ltd.

KIRLOSKAR

1. Alfred Herbert (I) Ltd.*
2. Bharat Forge Co. Ltd.
3. Deepak Insulated Cable Corpn. Ltd.*
4. G.G. Dandekar Machine Works Ltd.
5. Kirloskar Brothers Ltd.
6. Kirloskar Cummins Ltd.
7. Kirloskar Electric Co. Ltd.
8. Kirloskar Ghatge Patil Auto Ltd.*
9. Kirloskar Oil Engines Ltd.
10. Kirloskar Pneumatic Co. Ltd.
11. Kirloskar Systems Ltd.
12. Kirloskar Tractor Co. Ltd.
13. Kulkarni Black & Decker Ltd.*
14. Mysore Kirloskar Ltd.
15. Shivaji Works Ltd.

LARSEN & TOUBRO

1. Hindustan Brown Boveri Ltd.
2. Larsen & Toubro Ltd.

KASTURBHAI LALBHAI

1. Anil Starch Products Ltd.
2. Atul Products Ltd.
3. Cynamid (I) Ltd.

MAFATLAL

1. British Paints (I) Ltd.
2. Hoechst Dyes & Chemicals Ltd.
3. Indian Dyestuff Industries Ltd.
4. Mafatlal Engineering Industries Ltd.
5. Mafatlal Industries Ltd.

6. Mindia Chemicals Ltd.*
7. National Organic Chemical Industries Ltd.
8. Polyolefins Industries Ltd.
9. Standard Mills Co. Ltd.

MODI

1. Bombay Tyres International Ltd.*
2. Godfrey Phillips (I) Ltd.*
3. Modi Industries Ltd.
4. Modi Rubber Ltd.
5. Modi Spg. & Wvg. Mills Co. Ltd.
6. Modipon Ltd.

SARABHAI

1. Ahmedabad Mfg. & Calico Printing Co. Ltd.

SHRIRAM

1. Delhi Cloth & General Mills Ltd.
2. Jay Engineering Works Ltd.
3. Shriram Bearing Ltd.
4. Shriram Fibres Ltd.
5. Shriram Refrigeration Industries Ltd.

TATA

1. Associated Bearing Co. Ltd.
2. Belpahar Refractories Ltd.
3. CTR Manufacturing Industries Ltd.*
4. Crescent Iron & Steel Corporation Ltd.*
5. Excel Industries Ltd.

6. Facit Asia Ltd.*
7. Gokak Patel Volkart Ltd.
8. Goodlass Nerolac Paints Ltd.
9. IVP Ltd.
10. Indian Tube Co. Ltd.

11. National Electrical Industries Ltd.*
12. National Radio & Electronics Co. Ltd.
13. Simtools Ltd.
14. Stewarts & Lloyds of (I) Ltd.
15. Tata Chemicals Ltd.

16. Tata Engineering & Locomotive Co. Ltd.
17. Tata Iron & Steel Co. Ltd.
18. Tata Merlin & Gerin Ltd.
19. Tata Oil Mills Co. Ltd.
20. Tata Robins Fraser Ltd.

21. Tata Yodogawa Ltd.
22. Tinplate Co. of (I) Ltd.
23. Voltas Ltd.
24. Wandleside National Conductors Ltd.*

THAPAR

1. Ballarpur Industries Ltd.
 2. Bengal Ingot Co. Ltd.
 3. Borosil Glass Works Ltd.*
 4. Crompton Greaves Ltd.
 5. Greaves Cotton & Co. Ltd.

 6. Greaves Lombardini Ltd.*
 7. Hindustan Pilkington Glass Works Ltd.*
 8. Jagatjit Cotton Textile Mills Ltd.
 9. Jg Glass Industries Ltd.
 10. Karamchand Thapar & Brothers (CS) Ltd.

 11. New India Fisheries Ltd.
 12. New Savan Sugar & Gur Refining Co. Ltd.
 13. Ruston & Hornsby (I) Ltd.
 14. Sterling Steels & Wires Ltd.*
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* CIS Classification

APPENDIX-IV

Showing a List of Companies Producing at More Than Double Their Licensed Capacities of 'Other Products'

S. No.	Name of the Company	Product	Unit	Licensed Capacity	Actual Production	Percentage of Excess Capacity Utilization	House Association
1		2	3	4	5	6	7
1.	APV Engg. Co. Ltd.	Milk Receiving & Storage Tanks	Nos.	12.0	27.0	125.0	FERA/Birla@
2.	Assem Camon Products Ltd.	Electrolytic Copper and LF Powder	Kgs.	30000	64396	114.7	India Carbont@
3.	Sayer (I) Ltd.	Pharmaceuticals: Basic Production	Kgs.	24370	58507	136.6	FERA
4.	Best & Crompton Ltd.	Transformer Connections	Metres	500.0	1181.0	136.2	FERA
5.	Sharat Alums Ltd. Chals.	Oleum	MT	3600.0	7790.0	116.4	Others
6.	Boehfing-Knoll Ltd.	Liquids for External use	Kgs.	2600.0	6713.0	185.2	FERA/Rallis@
7.	Capribans (I) Ltd.	Rigid & Flexible PVC sheets	MT	1320	4631	250.8	DU
8.	Capribans (I) Ltd.	Phenol Resin Varnishes	MT	180	1029	471.7	DU
9.	Capribans (I) Ltd.	Melamine Formaldehyde Resins	MT	60	45	655.0	DU
10.	Crompton Greaves Ltd.	Metal Cased Plugs and Sockets	Sets	18000	224207	1145.6	Thapar

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S. No.	Name of the Company	Product	Unit	Licensed Capacity	Actual Production	Percentage of Excess Capacity Utilization	House Association
1	2	3	4	5	6	7	
11.	Cyanimid (I) Ltd.	Antibiotics:Tetracycline	MT	10.0	26.7	167.0	FERA/Valbbhai
12.	Dharangdhra C&E. Morl's Ltd.	Ammonium Bicarbonate	MT	1300	3707	185.3	S.P. Jain
13.	Elecon Engg. Co. Ltd.	Specialised Conveying Equipment; Stakeer	MT	500	1402	180.4	Elecon
14.	Electric Const. & Equipment Co. Ltd.	Poly Phase Meters	Nos.	54000	157704	192.6	Birla
15.	Electric Consnl. & Equipment Co. Ltd.	Single Phase Meters	Nos.	18000	623105	246.2	Birla
16.	Glaxo Laboratories (I) Ltd.	Liquids, Orals, Parenterals	Kgs.	1207	2810	132.8	FERA
17.	Glaxo Laboratories(I)Ltd.	Chemicals	Tomes	491	1150	134.2	FERA
18.	Glaxo Laboratories(I)Ltd.	Tablets & Capsules	Mn.	576	1585	175.3	FERA
19.	Qualior Rayon Silk Mfg. & Viscose Staple Fibre Mfg. Co. Ltd.	Viscose Staple Fibre	MT	22000	84013	281.9	Birla
20.	Hindustan Lever Ltd.	Synthetic Detergents	Tomes	1846	67815	263.3	FERA/Hindustan Lever
21.	Indian Plastics Ltd.	Urea & Melamine Formaldehyde Moulding Powder	MT	200	599	199.5	Birla
22.	Virloskar Brothers Ltd.	Hermatically Sealed Compressor	Nos.	1660	38582	132.4	Kirloskar
23.	Larsen & Toubro Ltd.	Press Tools, Jigs, Moulds etc.	Lakh Rs.	100	268	168.0	Larsen & Toubro

Contd....



S. No.	Name of the Company	Product	Unit	Licensed Capacity	Actual Production	Excess Capacity	Percentage of Utilization	House Association
			Kls.	Kls.	Kls.	Kls.	Kls.	
			1	2	3	4	5	6
24.	May & Baker (I) Ltd.	Injectables	Kls.	17	260	1429.4	FERA	
25.	May & Baker (T) Ltd.	Liquids	Kls.	88	1510	1615.9	FERA	
26.	May & Baker (I) Ltd.	Tablets	Millions	148	829	360.1	FERA	
27.	Metal Box (I) Lt.	R. S. Closures	000 Nos.	84000	342269	307.5	FERA/Metal Box	
28.	Vettur Chemicals & Indl. Corpn. Ltd.	Bromine	Tonnes	360	4192	1064.4	Seshasayee	
29.	Mohan Meakin Breweries Ltd.	Glass Bottles	Tonnes	7500	20727	176.4	Mohan Meakin	
30.	Oudh Sugar Mills Ltd.	Spirit	Kls.	11500	92980	707.1	Birla	
31.	Pfizer Ltd.	Oxytetracycline/Tetracycline and its Formulations	Tonnes	14	53.96	285.4	FERA	
32.	Premier Cable Co. Ltd.	PVC Cables	Kms.	1824	9745	334.3	Others	
33.	Sandoz (I) Ltd.	Formulations; Tablets	Mn.Nos.	189	525	177.8	FERA	
34.	Sandoz (I) Ltd.	Capsules	Mn.Nos.	22	69	213.6	FERA	
35.	Sandoz (I) Ltd.	Liquid	Kls.	263	1340	402.5	FERA	
36.	Searle (I) Ltd.	Injections	No. of Ampules	50000	160815	221.6	Ballis@	

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S. No.	Name of the Company	Product	Unit	Licensed Capacity	Actual Production	Percentage of Excess Capacity Utilization	House Association
1	2	3	4	5	6	7	
37.	Shriram Refrigeration Inds. Ltd.	Water Coolers	Nos.	800	3262	307.8	Shri Ram
38.	Siemens (I) Ltd.	Rectifier Cubicles & Misc. Equipments	Nos.	64.5	140.0	115.4	FERA/Khatas
39.	Simco Meters Ltd.	MDI Meters	'000Nos.	10.0	22.0	120.0	Seshasayee
40.	Travancore Chemicals & Mfg. Co. Ltd.	Copper Oxychloride 50% WPP	Tonnes	300	749	149.7	Others
41.	Uridloids Ltd.	Metronidazole	Tonnes	10.0	24.1	140.8	Others
42.	Voltas Ltd.	Spares for Forklift/Handlift/ Pallet Trucks	Rs.1 lakhs	5.00	20.18	303.6	Tata
43.	Wood Polymers Ltd.	Plastic Laminates: Decorative	Tonnes	980.0	2157.7	120.2	Pranjal Bhogilal@

Notes: 1. FERA status is shown as in 1974 when the Foreign Exchange Regulation Act came into force.

2. @ Indicates 'IS classification.

APPENDIX-VIllustrative List of Companies Which Claimed Non-Applicability of Industrial Licensing

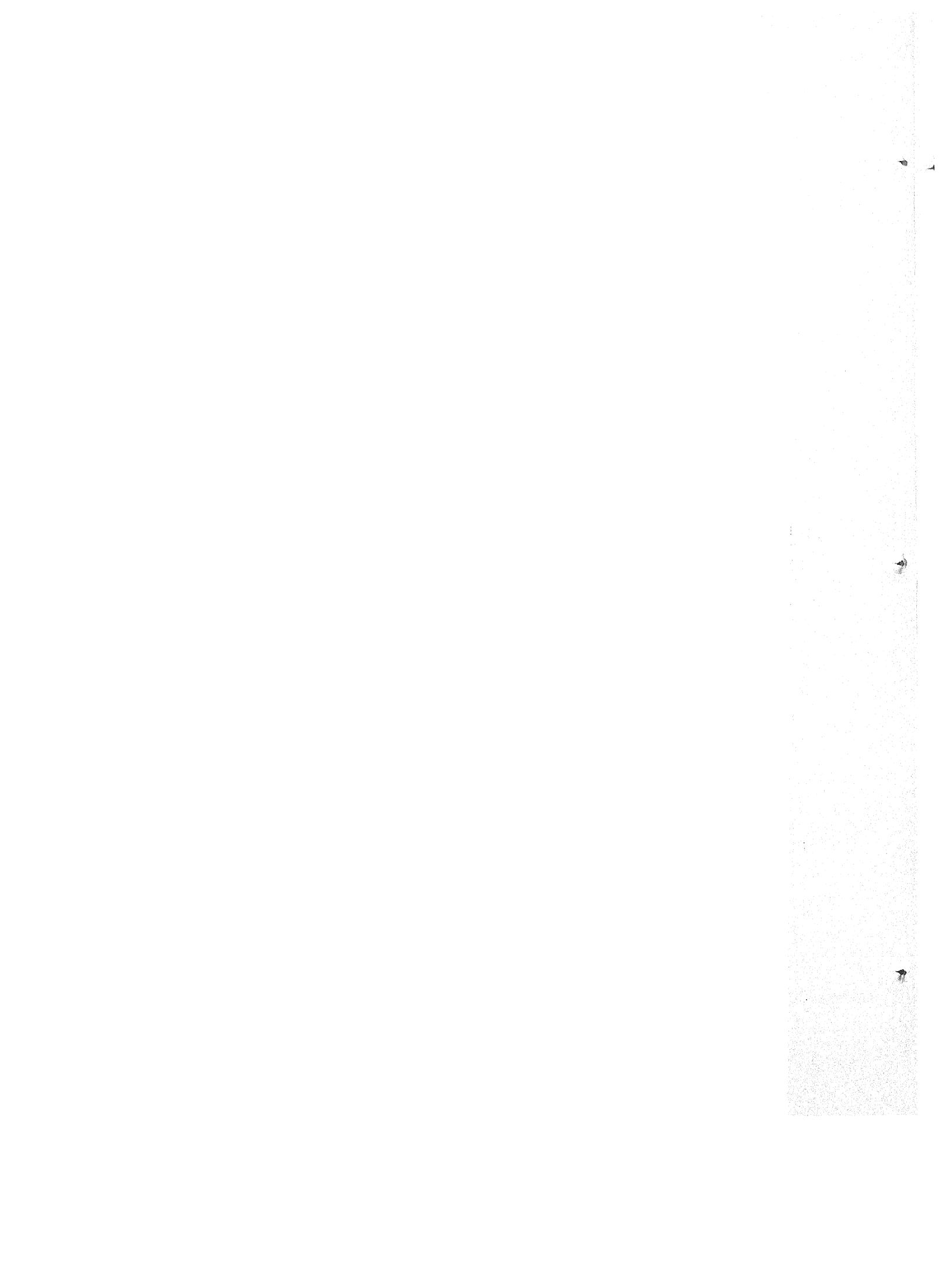
S. No.	Name of the Company	House/Foreign Co. Status	Product	Company's Remarks Regarding Licensed Capacity
1	2	3	4	
1.	Acme Mfg. Co. Ltd.	J.V. Patel#!	Control panel & controllers Furnaces Ovens Limit Switches Thermocouple Dial thermometers Able flash point apparatus Photoelectric colorimeter	"Licensed and Installed capacities in respect of item Nos. 17 to 24 have not been given as the Craftsman Electronic Corporation Unit is not covered by the Industries (Development and Regulation) Act". (AR 1980-81, p.23)
2.	Afco Ltd. (Sub. of Bombay Burnrah Tdg. Corp. Ltd.)	Wallace	Electronic equipment Electronic Components Tools	"Not Applicable" (AR 1980, p.8-13)
3.	Ahmedabad Mfg. & Galice Ptg. Co. Ltd.	Sarabhai	Textiles: Chapon Spindles Cloth (Packed), Sewing Thread, Sewing Yarn and Yarn	"Not Required". (AR 1980-81, p.39)
4.	Alfred Herbert (I) Ltd.	FERA	Rubber Processing Machinery: Intermixes, Presses	"Not Applicable... capacity registered with Directorate General of Technical Development". (AR 1976, p. 19)
5.	Alkali & Chemical Corps. of (I) Ltd.	ICL/FERA	Stiff paints, Thinners	"Not Applicable". (AR 1980, p. 19)
6.	Arbor Acres Farm(.) Ltd.	FERA	Mixed feed	"Not Applicable". (AR 1979, p. 24)

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S. No.	Name of the Company	House/Foreign Co. Status	Product	Company's Remarks Regarding Licensed Capacity
1	2	3	4	
7.	Arvind Engg. Works Ltd.	Peirce Leslie	Hand brakes, Door strikers, Scissor Jacks	"Not Applicable". (p. xix of parent company's AR)
8.	Aryan Brush Co. Ltd.	-	Tooth Brushes, Shaving Brushes, Others, Tooth Brushes (Processed)	"Does not apply". (AR 1979-80, p. 23)
9.	Ayurved Sevashra Ltd.	Rajaji	Hair Oil, Tooth Powder	"There is no licensed capacity for production". (AR 1980-81)
10.	Asbestos Cement Ltd.	FEPA	Asbestos Cement products	"There were no licensing procedure at the time of commencement of production". (AR 1978, p. 15)
11.	Aspinwall Co. (Travancore) Ltd.	Former Foreign Subsidiary	Mats & Mattings	"Not Applicable". (AR 1979, p. 26)
12.	Associated Polymers Ltd. (Sub. of Schrader-Scovill Duncan Ltd.)	Goenka K.P.	Butyl Rubber Compound	"The company has been advised by DGID that since the Company's main business is processing of various compounds to its customers' specifications, it is not required to obtain Industrial Licence". (AR 1979, p. 43)
13.	Reallarpur Inds. Ltd.	Thapar	Coated paper	"No Licence under the Industries (Development & Regulation) Act, 1951 is required" ... "converted out of paper manufactured by the Company". (AR 1980-81, p. 47)
14.	Bennett, Colenon & Co. Ltd.	Sahu Jain	Dailies, Periodicals, Directory & year book and Index, Micro-film	"Not Applicable" (AR 1980-81, p. 33)

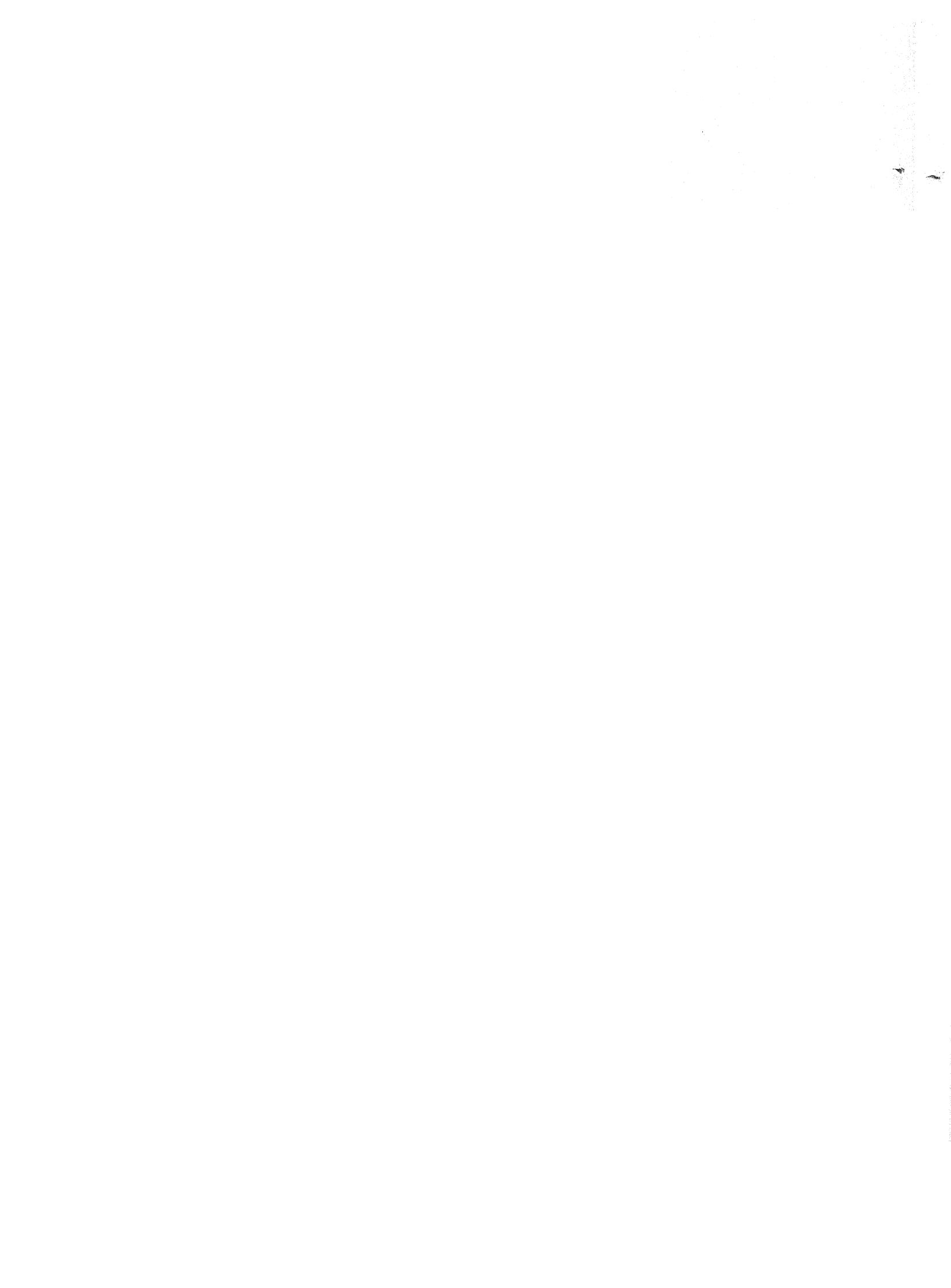
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S. No.	Name of the Company	House/Foreign Co. Status	Product	Company's Remarks Regarding Licensed Capacity
1	2	3	4	
15.	Bestobell (I) Ltd.	FERA	Oxygen analyser, zener barrier "Unlicensed articles" (AR 1979, p. 15)	Packings
16.	Sharat Bijlee Ltd.	Khatra/ FERA	Pumps, Lifts, Axial flow & centrifugal, fans, methane telemonitoring system, flame proof signal bells	"No licence is required" (AR 1979, p. 18)
17.	Binnu Ltd.	FERA	Clothes, Steel structural, Cast Iron Casting Forgings	"Not applicable" (AR 1979, p. 35)
18.	Britannia Biscuits Co. Ltd.	FERA	Bread, Cake & Rusk, Marine Products	"Not Applicable". (AR 1978-79, p.22)
19.	Brooke Bond (I) Ltd.	Brookebond/ FERA	Packed Tea, Packed Coffee, Hides and other by-products	"Not Applicable". (AR 1979, p. 16)
20.	Turn & Co. Ltd.	Martin Burn	Firebricks, Fireclay & Silica "Not Applicable". (AR 1971-72, p. 19)	Pipes, Calcined Magnesite, Railway Rolling Stock, Pointings & Crossings, Structural Steel Work
21.	Carew & Co. Ltd. (Sub. of United Breweries Ltd.)	United Breweries	Spirit	"Not Applicable". (AR 1979, PCW-25)

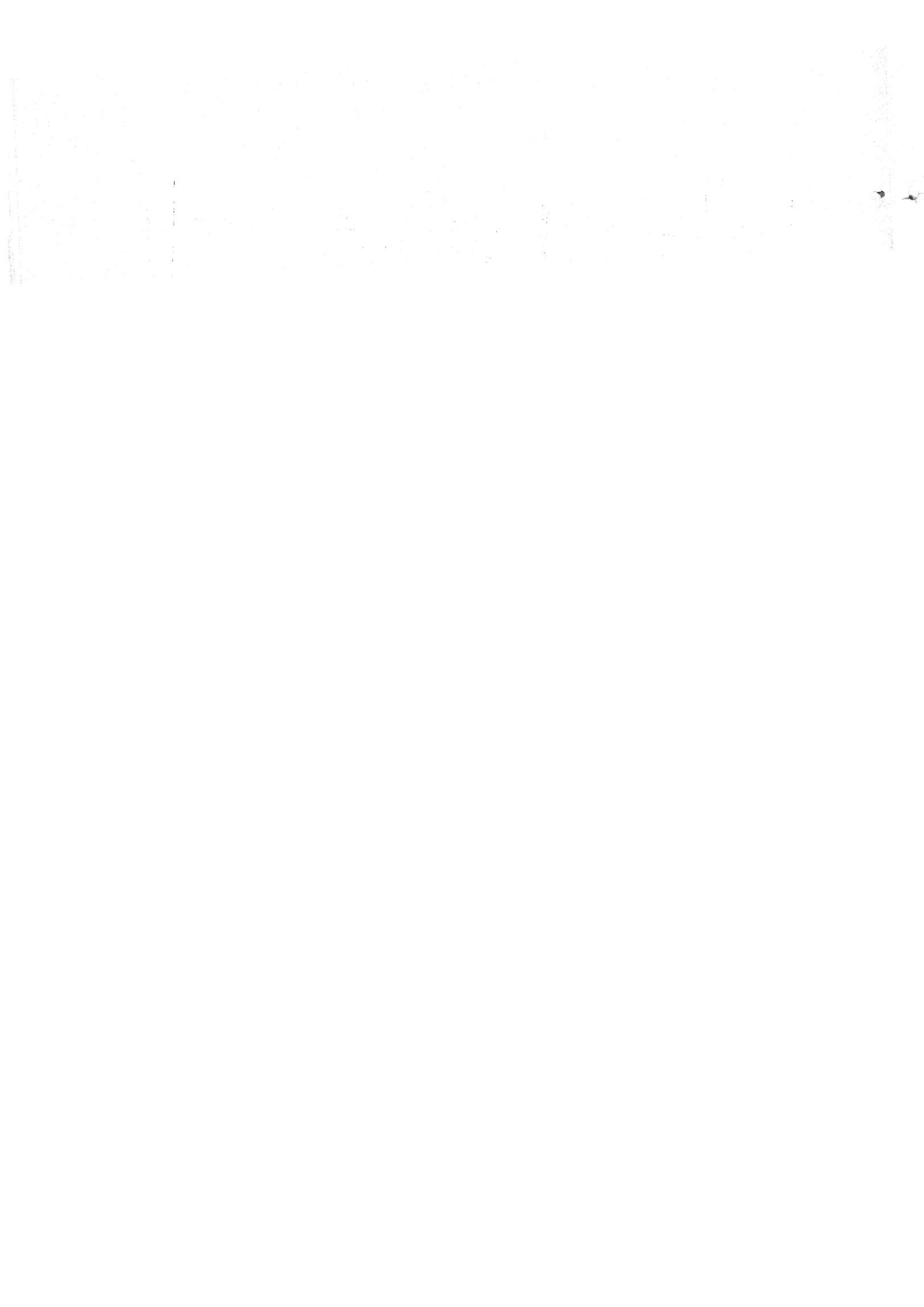
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S. No	Name of the Company	House/Foreign Co. Status	Product	Company's Remarks Regarding Licensed Capacity			
				1	2	3	4
22.	Caristrap Ltd. (Sub. of National Rayon Corp. Ltd.)	Kapadia	Plastic Polypropylene Strap	"No licence is necessary for the company under the Industries (Development & Regulation) Act, 1951"..." Installed capacity is 1,00,800,000 metres on the basis of 12.70 mm with strap. But the company get the goods manufactured by its holding company. The goods are manufactured exclusively for the company according to the specifications and requirements of the company". (AR 1979, p. 53)			
23.	Carona Sahu Co. Ltd.	S.P. Jain	PVC Footwear	"No licence, as exempted under press note of Government of India dated 28th Oct., 1966. By a press note dated 27th June 1969, issued by the Government of India, diversification into PVC footwear requires a licence. However, the company is of the view that the said press note applies to diversification subsequent to the 27th June, 1969 Press note. This has been relied on by the auditors without verification". (AR 1978-79, p. 23)			
24.	Chanda Paints (Madras) Ltd. (Sub. of Godllass Nrolac Paints Ltd.)	Tata	Liquid Paint*, Cement Paint, Varnishes	"N.A." (AR 1980, p. 56)			
25.	Chandigarh Surat Foods Ltd. (Sub. of San Sip Ltd.)	Swedish Match	Canned Fruits & Vegetable Products	"N.A." (AR 1980, p. 63)			

Contd....



S. No.		Name of the Company		House/Foreign Co. Status		Product	Company's Remarks Regarding Licensed Capacity
1							
2							"No licence is required for producing the above items." (AR 1980, p. S-23)
3							Barium Carbonate, Barium Nitrate, Barium Chloride, Barium Sulphate, Barium Hydroxide, Barium Chromate Barium Peroxide, Barium Sulphide
4							"Not Applicable". (AR 1979, p. 16)
27.	Coates of (I) Ltd.	Pird Heilgers/ FERA	Printing Inks				
28.	Colgate Palmolive (I) Ltd.	FERA	Tooth Brushes and Shave Brushes				"N.A." (AR 1978, p. 18)
29.	Corn Products Jo. (I) Ltd.	FERA	Adhesives, Caramel Liquids				"N.A." (AR 1978-79, p. 25)
30.	Coronandel Garments Ltd. (Sub. of Svadeshi Mills Co. Ltd.)	Tata	Clothes, Knitwear, Nylon Hosiery				"Not Applicable" (AR 1979, p. 42)
31.	Crescent Dyes & Chem. Ltd.	FERA	Heat Treatment Salt, ADA Processed Dyes				"Not applicable" (AR 1980, p. 27)
32.	Ourewell (I) Ltd.	FERA	Dextrose and other infusion solution				"N.A." (p.35).. "The Company has permission for the production of Albumin Bottles, GammaLagen and Dextrose and other infusion solutions and no separate installed capacity exists for the same". (AR 1979, p. 35)
33.	Cyanids and Pigments Ltd.	Tata#	Oxides of Iron				"Manufacture of Oxides of Iron is not covered by the provisions of the Industries (Development and Regulation) Act, 1951". (AR 1981-82 p. S-39)

Contd....



S. No.	Name of the Company	House/Foreign Co.	Status	Company's Remarks Regarding Licensed Capacity			
				Product	1	2	3
34.	Dalmia Dairy Inds. Ltd.	Dalmia J#	Ghee, Butter	"Not Applicable". (AR 1978-79, p. 33)			
35.	Dalmia Ceramic Inds. Ltd.	Dalmia J#	Spun Pipe, Red Oxide	"Not applicable" (AR 1980-81)			
36.	Deccan Ayurvedashram Pharmacy (Sub. of Ayurved Sevashram Ltd.,	Rajaj	Hair Oil, Tooth Powder	"There is no licenced capacity for product" (AR 1980-81)			
37.	Devon Plastics Ltd. (Sub. of Devon Tea & Produce Co. Ltd)	~	Plastic Materials, Zinc Oxide plant	"Not applicable". (AR 1978-79, p. 15)			
38.	Duchen Laboratories Ltd (Sub. of Pfizer Ltd.)	FERA	Laboratory Chemicals,Liquids, Solids,Pharmaceutical Formulations: Liquids,Tablets, Ointments	"Industrial license not required under the Industries (Development & Regulation) Act, 1951.			
39.	E.I.D. Parry (I) Ltd. ³	Parry	Animal Feeds, Processed Seeds "N.A."	(AR 1979, p. 40)			
40.	Eastern Abrasives Ltd. (Sub. of Carborectum Universal Ltd., a FERA Company)	Mirugappa	Coated abrasives	"Not applicable". (AR 1979, p. 35)			
41.	East India Carpet Co. Ltd. (Sub. of Oriental Carpet Mfrs. (I) Ltd.)	Birlaff	Carpets	"Licensing not applicable to this industry". (AR 1980-81, p. 30)			
42.	Ethnor Ltd. (Sub. of Johnson & Johnson Ltd., a FERA company)	FERA	Tablets, Liquids, Ointments Powders, Chemicals, Applicators, Diagnostics	"Not Applicable". (AR 1979)			

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No.	Name of the Company	License/Foreign Co. Status	Product	Company's Remarks Regarding Licensed Capacity
1	2	3	4	
43.	Food Specialities Ltd.	FERA	Coffee, Coffee blends, Cereal products	"Not Applicable". (AR 1979, p.19)
44.	Freyssinet Prestressed Concrete Co. Ltd. (Sub. of Cammon (I) Ltd.)	Cammon#	Anchorage cones, Neoprene Bearings Pads, Flexible Sheathing, Prestressing equipments, Miscellaneous expansion joints	"The company's undertaking is not covered by Industrial Licensing Provision of Government of India." (AR 1978-79, p. S-17)
45.	Fulford (I) Ltd.	FERA	Tablets, Capsules, Ointments, Injectables, Liquids	"The Industries (Development & Regulation) Act, 1951 is not applicable to the company and hence licensed capacities are not applicable." (AR 1981, p. 15)
46.	G. Claridge & Co. Ltd.	Bangur	Moulded Packing trays from paper pulp, Printing Unit	"Not Applicable". (AR 1979, p. 23)
47.	Gillanders Arbutnot & Co.	Gillanders Arbutnot	Kalaznazo Bindus & Accessor-ies, Yalaznazo Sheets, Continuous Stationery Sheets, Tea	"Not Applicable". (AR 1981, p. 20)
48.	Gramophone Co. of (I) Ltd.	FERA	Records, FMI racks, T.V. cabinets, speakers, legs for stand	"Not Applicable". (AR 1981, p.22)
49.	Gujarat Nets Ltd. (Sub. of Ahmedabad Mfg. & Calico Ptg. Co. Ltd.)	Sarabhai	Circular Knitted Fabrics, Hosiery, Readymade Nets	"Not Applicable". (AR 1980, p. 53)

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No.	Name of the Company Co. Status	House/Foreign Product	Company's Remarks Regarding Licensed Capacity			
			1	2	3	4
50.	Gwalior Tools Ltd.	Hacksaw Blades	"Not Applicable". (AR 1980-81, p. 14)			
51.	Haldia Organics & Esters Ltd. Kanoria R.K. (Sub. of Kanoria Chemicals & Inds. Ltd.)	Cotton Yarn, Staple Yarn	"Not Applicable". (AR 1978-79, p. 42)			
52.	Haryana Containers Ltd. (Sub. of Prion Holdings Ltd.)	Sarabhai Plastic moulded articles	"Not Applicable". (AP 1980-81, p. 30)			
53.	Hindustan Levers Ltd.	Hindustan Lever/FEPA	Non-Scheduled: Margarine, Chee, Animal feeding stuffs, Scourers, Catalyst, packaging machinery	"Not Applicable". (AR 1979, p. 15)		
54.	Hindustan Dorr-Oliver Ltd.		Supply of Dorr-Oliver system "As the company has been legally advised that it is not a 'manufacturing' company, clause 4c of part-II of Schedule VI of the Companies Act, 1956 which requires information regarding capacities and production in respect of each class of goods manufactured, is not applicable to it". (AR 1980, p. 19)			
55.	Hindustan Times Co. Ltd.	Birla	Newspapers, Periodicals	"Not Applicable". (AR 1976-77, p. 22)		
56.	Hooghly Flour Mills Co. Ltd. (Sub. of Shaw Wallace & Co. Ltd.)	Shaw Wallace Feeds		"Not Applicable". (AR 1979, p. 73)		
57.	Foogly Ink Co. Ltd.	FERA	Printing Ink	"No Industrial Licence is required under the Industries (Development & Regulation) Act, 1951 for manufacture of printing ink". (AR 1975)		

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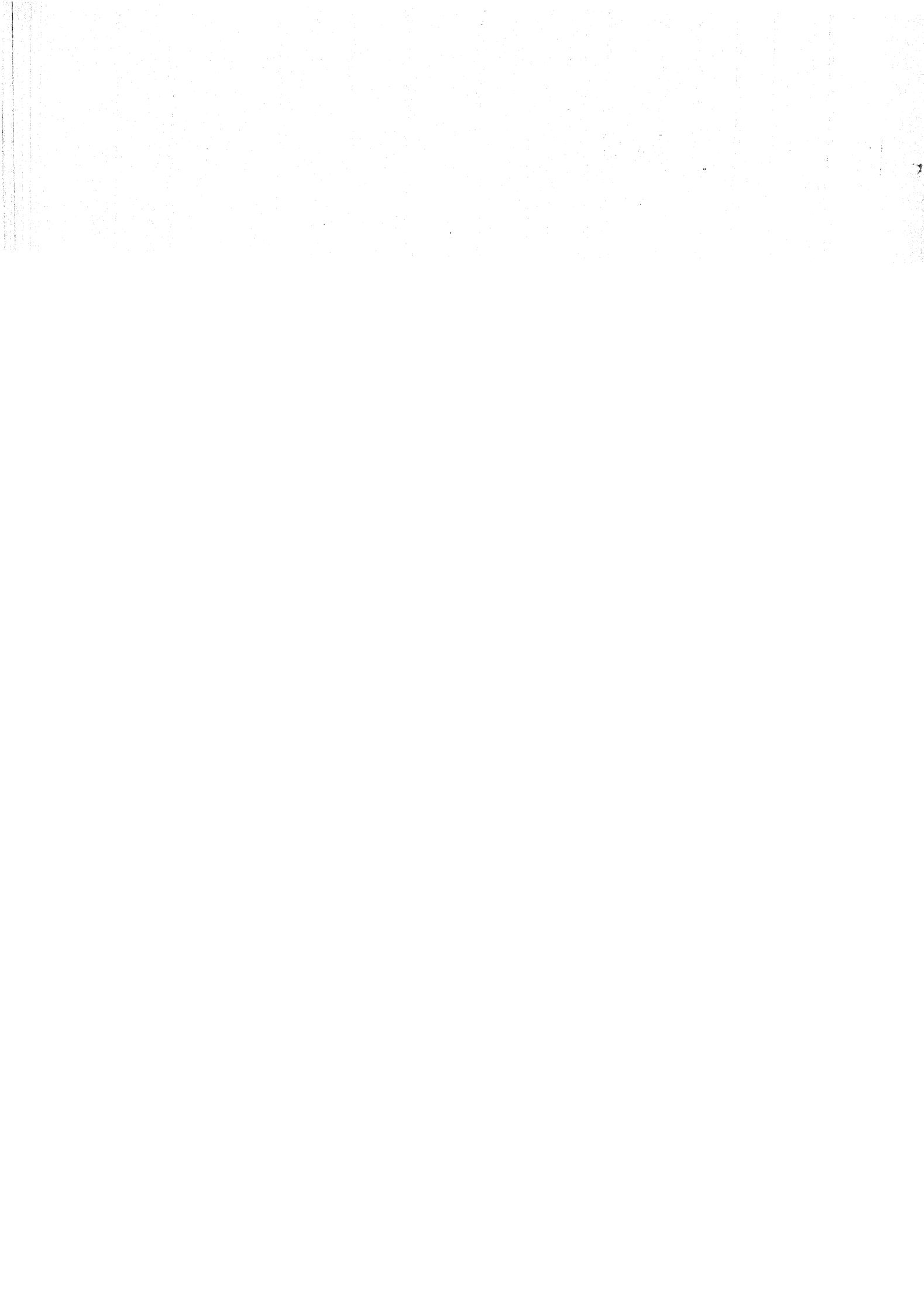
S. No.	Name of the Company	House/Foreign Co. Status	Product	Company's Remarks Regarding Licensed Capacity
1	2	3	4	
58.	Indian Duplicator Co. Ltd.	FERA	Duplicating Machines, Supplies	"No industrial licence is required for the manufacture of duplicating machines and supplies (stencils, ink and accessories) as these items are not covered under the Industries (Development) Regulation Act, 1951. The company, however, is registered with the Director General Technical Development to manufacture the following." (AR 1978-79, p. 19)
59.	Indian Oxygen Ltd.	FERA	Liquidified Oxygen Explosives	"Licence not required". (AR 1979, p. 26)
60.	Indian Rayon Corp. Ltd.	Birla	Other hose pipes	"—" (AR 1978-79, p. 28)
61.	Indian Standard Metal Co. Ltd	Tata (Sub. of Investment Corpn.)	Madras Unit	"Not Applicable". (AR 1974, p. 51)
62.	Indrol Lubricants and Specialities Ltd.	**	Lubricating Oils, Greases, brake fluids etc.,	"The requirements as to the disclosure of licensed capacity is not applicable since the company is advised that its activities are not covered by the Industries (Development & Regulation) Act, 1951." (AR 1981)
63.	International Computers Indian Mfrs. Ltd.	FERA	Cards	"Not Applicable". (AR 1979-80, p. 50)
64.	International Fisheries Ltd. (Sub. of Tata Oil Mills Co.)	Tata	Marine Products	"Not Applicable". (AR 1978-79, p. 66)
65.	ITC Ltd.	ITC/FERA	Smoking Tobacco	"Smoking Tobacco is not an item covered by the Industries (Development & Regulation) Act, 1951, or any regulatory provisions." (AR 1975, p. 27)

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S. No.	Name of the Company	House/Foreign Co. Status	Product	Company's Remarks Regarding Licensed Capacity
1	2	3	4	
66.	J.K. Business Machines Ltd.	J.K. Singhania	Continuous stationery&books	"Not Applicable" (AR 1980-81, p.21)
67.	J.K. Bombay Ltd. (Sub. of Raymond Woollen Mills)	J.K. Singhania	Trousers, Jackets, Skirts & others, Jeans.	"Not Applicable". (AR 1980, p. S-23)
68.	J.I. Morison Son & Jones	FERA		"On liberalization of industrial licensing regulations, there is no reference of licensed capacity in respect of various products manufactured by the company. However, the company has recorded with DGTD the installed capacities, wherever applicable." (AR 1979, p. 27)
69.	Jardine Henderson Ltd.	Jardine Henderson	Polythene Sleeves, Films & Bags, Conveyor, Structures, Idlers, Black Tea	"Not Applicable". (AR 1979, p. A-21)
70.	Jootkotolle Tea & Inds. Ltd.	Pangur	Citronella Oil, Paints, Varnish	"Not Applicable". (AR 1979, p. 20)
71.	Jyoti Electric Motors Ltd.	Amin	Ele. Motors, P.D. Pumps	"Not Applicable". (AR 1980-81, p. 17)
72.	Kemp & Co. Ltd.	Piramal#	Leather Bags	"Licence is not required". (AR 1980-81, p.17)
73.	Killick Cartbonum f.l. (Sub. of Killick Nixon Ltd.)	Killick Nixon	Carbon Papers, Teleprinter & Accounting Machine Rolls, Duplicating and other inks etc., Ribbons (Inked) for Typewriters and other machines	"Not Applicable". (AR 1980, p. 60)
74.	Killick Nixon Ltd.	Jacks Ind. power units and Grout pumps, Ductiflex Sheathings, Balcony Shelters.	Jacks Ind. power units and Grout pumps, Ductiflex and Balcony Shelters". (AR 1980, p. 39)	"No licence is required for preressing equipment

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S. No.	Name of the Company	House/Foreign Co. Status	Product	Company's Remarks Regarding Licensed Capacity			
				1	2	3	4
75.	Kores (I) Ltd.	Birla	Stencils, Carbon papers, Ribbons, Stamp pads, Inks, Teleprinters and other machine rolls and Barium Carbonate, Sodium Sulphide	"Not Applicable". (AR 1981)			
76.	Leatherite Inds. Ltd. (Sub. of ODM (I) Ltd.)	Birla/ Hindustan Lever/FERA	PVC Sheeting, PVC Leather cloth, Plastic coated paper Blended Teas incl. Bulk, Packets and Tea Bags	"Not Applicable". (AR 1980-81, p. 43)			
77.	Lipton (I) Ltd.	FERA	Books, Photo-composed paper	"Not Applicable". (AR 1979, p. 15)			
78.	Macmillan Co. of I. Ltd.	Macneill Major/FERA	Franking Machines, Non-Power Pallets, Diamond Powder,	"Not Applicable". (AR 1979, p. 38)			
79.	Macneill & Major Ltd.	Macneill Major/FERA	Manufactured Tea Garments	"Not Applicable"	(AR 1980, p. 82)		
80.	Mafatlal Apparel Mfg. Co. Ltd.	Mafatlal	Sintered Bushes & Structural parts, Sintered Fitters, Metal Powder & Tools	"Not Applicable". (AR 1979, p. 4-12)			
81.	Mahindra Sintered Product Ltd. (Sub. of Mahindra & Mahindra Ltd.)	Mahindra	Iron Ore Pellets	"The company has been informed by the Department of Steel, Min. of Steel & Mines, Govt. of India vide its letter dated, 4th/5th November, 1977 that as at present, no industrial licence is required under the Industries (Development & Regulation) Act, 1951 for the setting up of an undertaking for the manufacture of iron ore pellets." (AR 1978-79, p. 28)			
82.	Mandovi Pellets Ltd.	Gowgule					

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S. No.	Name of the Company	House/Foreign Co.	Product Status	Company's Remarks Regarding Licensed Capacity
1	2	3	4	
83.	Martin Burn Ltd.	Martin Burn	Steel Fabrications	"Not Applicable". (AR 1979, p. 17)
84.	Metal Box (I) Ltd.	Metal Box/FERA	Crown Corks	"Not Applicable". (AR 1980, p.12)
85.	Netnur Beardsell Ltd.	FERA	Expanded Polystyrene, Sewing Thread	"Not applicable". (AR 1979, p. 33)
86.	Modella Knitwear Ltd. (Sub. of Modella Woolen Ltd.)	Modella	Garments	"Not Applicable". (AR 1980, p. 66)
87.	Mohan Meakin Breweries Ltd.	Mohan Meakin	Wheat porridge, Ice	"No licence". (AR 1979, p. 36)
88.	Molins of India Ltd.	I.T.C.#/FERA	Machines for Tobacco Ind., Machines for other industries Components for use in Assembly	"The products manufactured are not covered by the Industries (Development & Regulation) Act, 1951". (AR 1979, p. 20) of Machines, sales as spares and for supply to engg. inds.
89.	Monotype (I) Ltd.		Cameras, Camera Accessories, & Dark Room Equipments, Plate-of products mentioned above."	No specific licence is necessary for manufacture & Dark Room Equipments, Plate-of products mentioned above."(AR 1979, p.16)
90.	Mulberry Aquatic Products Ltd. (Sub. of Kores(I) Ltd.)	Birla	Marine Products, Fruits & Vegetables products	"Not Applicable". (AR 1980)
91.	Mueller & Phipps (I) Ltd.	FERA	Talcum powder, medical preparations, Soap, Insecticides	"Not Applicable". (AR 1980, p.14)

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S. No.	Name of the Company	House/Foreign Co. Status	Product	Company's Remarks Regarding Licensed Capacity
1.	2	3	4	

92. National Rolling & Steel Rirla M.S. Rods in Coils, Scraps " - " (AR 1978-79, p.19)
93. National Cereal Products Ltd. Mohan Mealcin[#] Malt, Maize Flakes, Maize residue "No Industrial licence is required" (AR 1979, p.14)
94. New India Fisheries Ltd. Thapar Ice Production "Not Applicable". (AR 1978-79, p.25)
95. Nicholas Laboratories (I)Ltd. §

"The manufacturing unit at Chambur of the Indian Branch of Nicholas of India Ltd., which was transferred to the company with effect from 1st July, 1979, has installed and productive capacities of 1,783 million tablets, 109,000 kgs. powders and 80,000 kgs. creams. The company has been advised (On which the Auditors have placed reliance) that the Industries (Development & Regulation) Act, 1951, does not apply to this unit and therefore the question of licensed capacity does not arise" (AR 1979-80, p.23)

"The company's manufacturing unit at Ambernath, which produces certain pharmaceuticals, bulk-drugs and chemicals has installed and productive capacities of 13,10,000 litres liquids and 7,00,000 kgs powders. The company has received advice (on which the Auditors have placed reliance) that the Industries (Development & Regulation) Act, 1951 does not apply to this unit and, therefore, the question of licensed capacity does not arise" (AR 1979-80, p.24)

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No.	Name of the Company	House/Foreign Co. Status	Product	Company's Remarks Regarding Licensed Capacity
1	2	3	4	
96. Nila Products Ltd.	Lalbhai#	Fine Chemicals & drugs, Tablets, Liquid Oral	"Licensed capacity: It is not required under the Industries (Development & Regulation) Act, 1951". (AR 1979-80, p.24)	
97. Nuchem Plastics Ltd.	Dominant Undertaking	Hexamine	"N.A." (AR 1978-79)	
98. Orissa Cement Ltd.		Cement products	"Not Applicable". (AR 1978, p.23)	
99. Pandyan Press Ltd. (Sub. of Madura Coats Ltd.)	Madura Coats	Printing & Binding of Forms, Registers, etc.	"Not Applicable". (AR 1979-80, p.36)	
100. PCA Engineers Ltd. (Sub. of Pressure Cookers & Appliances Ltd.)	Vasudeva#	Pressure Cookers(Semifinished)"Not Applicable"	(AR 1979-80, p.31)	
101. Pigments, Lakes & Chemicals Mfg. Co. Ltd.(Sub. of Arlabs Ltd.)		Caskets		
102. Polychem 'td.	Kilachand	Vat Golden Yellow GX & other "Nil as the company is not Licensed undertaking dyes, 1:5 Dibenzoyl Napthaleneas certified by a Director".(AR 1978-79, p.39)		
103. Precision Wooling Systems Ltd. (Sub. of Mysore Kirloskar Ltd.)	Kirloskar	Ode, 1:5 Dibenzoyl (crystalline) Napthalene (Pure), Other Intermediates Potable Liquor	Only Installed capacity and product are reported (see: AR 1978, p.39)	"Not Applicable". (AR 1978-79, p.21)

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S. No.	Name of the Company	House/Foreign Co. Status	Product	Company's Remarks Regarding Licensed Capacity
1	2	3	4	
104.	Pressure Cookers & Appliances Ltd.	Vasudeva/	Pressure Cookers, Idli stands, "Not Applicable". (AR 1979-80, p.23) Optical Instruments, Cover Glass	
105.	Printpak Machines Ltd. (Sub. of Rapir Products Ltd.)	Talwar/	Machines "N.A." (AR 1978-79, p.67)	
106.	Rajendra Dying & Printing Mills Ltd. (Sub. of Ahmedabad Mfg. & Calico Ptg. Co. Ltd.)	Sarabai	Clothes, Circular Knitted Fabrics, Socks "Licence not required". (AR 1980, p.77)	
107.	Rallis Indi- Ltd.	Rallis	Fertilizers (Mixed), Fertilizers (Granulated) "Not applicable". (AR 1979-80)	
108.	Reckitt & Colman of (I) Ltd.	FERA	Food Products, Detergent preparations, Polishes & compositions "Not Applicable". (AR 1979, p.15)	
109.	Remington Rnd of (I) Ltd.	FERA	Ribbons, Kardex cabinet, Graphdex board, Lindex turntable, Kardveyer, safe files, folders, pockets etc. "Not Applicable". (AR 1979, p.23)	
110.	Richardson Hindustan Ltd.	FEPA	Liquids, ointments and creams Lozenges "Original licence provides capacities for all formulations including formulations based on basic drugs manufactured by the company. However, the company is advised that in terms of Government of India's Notification dated May 27, 1969, capacity limitations are not applicable to formulations based on basic drugs manufactured by the company". (AR 1976-77, p.17)	

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S. No.	Name of the Company	House/Foreign Co. Status	Product	Company's Remarks Regarding Licensed Capacity
1	2	3	4	
111.	Roplas (I) Ltd.	Mahindra	Fibreglass reinforced plastics" Not applicable". (AR 1979, p.17)	
112.	Saurashtra Paints Ltd. (Sub. of Goodlass Nerolac Paints 'td.)	Tata	Liquid paint and enamels, stiff paints, distempers, putties, fitters, cement paints etc., Resins	"Not applicable". (AR 1980, p.41)
113.	Searsole Chemicals Ltd.		Calcium Carbonate	"Not Applicable". (AR 1978-79, p.8)
114.	Shaw Wallace & Co. Ltd.	Shaw Wallace	Fertilizers(mixed), liquor & wines, Livestock foods, zinc sulphate	"Not Applicable". (AR 1979, p.45)
115.	Shri Ambica Mills Ltd.	Shri Ambica	Chemicals, IPG Cylinder	"Licence not required". (AR 1980, p.51)
116.	South India Wire Ropes Ltd.	Seshasayee	Wires, conversion	"Not Applicable". (AR 1978-79, p.18)
117.	Standard Batteries Ltd.	Char L.D.#	Battery operated trucks, Battery manufacturing machinery Moulds, battery chargers & frames	"Not applicable". (AR 1978-79, p.27)
119.	Stanes Tyre & Rubber Products Simpson Ltd. (Sub. of T.Stanes & Co. Ltd.)		Repressing & relugging of automobile tyres	"Not Applicable". (AR 1980-81, p.STR 23)
120.	Sun-Sip Ltd. (Sub. of IMOO Ltd.)	Swedish Match	Canned fruit and vegetable products	"N.A." (AR 1980, p. 52)
121.	Suri & Naik Ltd.	-	Diesel Hydraulic Locomotives pinion and bevel gears	"Not applicable" (AR 1978-79, p. 32)

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S. No.	Name of the Company	House/Foreign Co. Status	Product	Company's Remarks Regarding Licensed Capacity
1	2	3	4	
122.	Tata Chemicals Ltd.	Tata	Fusite, Vacuum Salt, Pure salt	"Not applicable" (AR 1978-79, p. 37)
123.	Tata Oil Mills Ltd.	Tata	Non-Scheduled: Refined Oils, cattle feed, marine products	"Not applicable" (AR 1978-79, p. 27)
124.	Eide Water Oil Co. (I) Ltd.	FERA	Oils, Greases	"As the company does not come under the purview of the Industries (Development and Regulation) Act, 1951, it was not considered necessary to furnish the licensed capacity." (AR 1978-79,p.19)
125.	Tri-Sure (I) Ltd.	FERA	Flanges, Plugs, Capseals, Tag Rings, Light closures, Gaskets, Polypress	"Not applicable" (AR 1980-81)
126.	Tullis Woodroffe & Co. Ltd. (Sub. of Cordon Woodroffe Ltd.)	FERA	Industrial leather accessories	"Not applicable" (AR 1980-81, p. 35)
127.	Usha Oil Utters, Ltd.	Usha Martin	Oils, Extractions, Cattlefeed	The company did not report any licensed capacity (See AR 1980-81, p. 17)
128.	Vulcan Lava ¹ Ltd.	Swedish Match/ FERA	Packetting and wrapping Machinery	"Not Applicable" (AR 1979, p. 28)

Notes: AR in Col. 4 indicates Annual Report of a company or its parent company, if any, for the year specified.

¹ FERA Status is shown as in 1974 when the Act came into force.
² CIS Classification.

³ The company was earlier a part of the Malchand House.

⁴ ** The company took over the business and undertaking in India of Castrol Ltd, U.K., which was operating in India as a 'foreign branch'.

* The company was incorporated to take over the business in India of Monotype, U.K., which was operating in India as a 'foreign branch'.

⁵ The company took over the business in India of Indian Schering Ltd, and Nicholas of India Ltd, which were operating in India as a 'foreign subsidiary' and a 'foreign branch' respectively.

APPENDIX-VI

Illustrative List of Companies Claiming that Licensed/Registered Capacities Are 'Not Specified' for Certain Products

S. No.	Name of the Company	House/Foreign Co. Status	Product	Company's Remarks Regarding Licensed Capacity
1	2	3	4	5
1.	Alkali & Chemical Corp. of India Ltd.	ICI/FEA		"In addition the company has permission for formulation of Gramaxone, capacity for which has not been quantified". (AR 1973, p. 27)
2.	BFOO Flegg. Jo. Ltd. (Sub. of Mukand Iron & Steel Works Ltd.)	Rajaji	Bright bars, Agricultural Implements including attachments	"Not specified". (AR 1980, p. S-17)
3.	Boots Co. (I) Ltd.	FERA		"The industrial undertaking was established prior to the enactment of the Industries (Development & Regulation) Act, 1951 and the company received Registration No.R/22/15 dated 19.9.1952 and subsequently several noobjection certificates/permission letters under which manufacture was permitted without indicating capacities". (AR 1979, p.33)
4.	Bradma (I), Ltd. (Sub. of Nak Patel Volkart Ltd.)	Tata Hand	Printing and embossing machines;	"No limit" (AR 1979, p. 81)
5.	Brushware Ltd. (Sub. of British India Ccrpn.)	Soorajmull	Brushes	"Not specifically fixed". (AR 1978, p.ordii)
6.	Central India Machinery Mfg. Co. Ltd.	Birla	Auto looms, Plain looms, Shutters Wagons, Coaching under frame	"Unspecified" (AR 1979, p.40) "The licensed capacity in terms of 4-wheelers units is unspecified in the licence and the same is being shown as per practice followed in Wagon Building Industries" (AR 1979, p.43)

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S. No.	Name of the Company	House/Foreign Co. Status	Product	Company's Remarks Regarding Licensed Capacity
1	2	3	4	
7.	Ciba-Ceigy (I) Ltd.	FERA	Pharmaceuticals	"Endorsements of productive capacity on Registration Certificates issued under Section 10 of the Industries (Development and Regulation) Act, 1951 and COB licence capacities to be granted under Notification No. S.O.533(E) dated 30.8.1978 are pending with the Government".(AR 1981, p.17)
8.	Crompton Greaves Ltd.	Thapar	Electric fans (others) Carbon Brushes	"Registered, capacity not specified". (AR 1979, p.27)
9.	Delhi Cloth & General Mills Ltd.	Shriram	"	"In cases where licences were not available the licensed capacity has been given on the basis of returns submitted to Government and relevant Correspondence"(AR 1974-75, p.38)
10.	Drayton Greaves Ltd. (Sub. of Greaves Cotton & Co. Ltd.)	Thapar/FERA	Pressure control equipment and components for industrial machinery and boilers	"Not mentioned in the Government approval". (AR 1980, p.72)
11.	Electric Construction & Equipment Co. Ltd.	Rilka	"	"In cases where licences were not available or did not indicate quantities, the licensed capacity has been given on the basis of applications/returns to the Government and relevant correspondence".(AR 1980-81, p.26)
12.	Elpro International Ltd.	FERA	Cobalt-60 teletherapy equipment	"Not specified" (AR 1979, p.24)
13.	Eyre Smelting Ltd.	Gillanders Arbitron/FERA#	Non-ferrous alloys, Fluxes	"The certificate of registration received in terms of Section 10 of the Industries (Development and Regulation) Act, 1951 does not specify any figures as to the licensed capacity". (AR 1980, p.21)
14.	General Electric Co. of (I) Ltd.	GEC/FERA	Fittings, Furnaces	"Unspecified". (AR 1978-79, p.19)

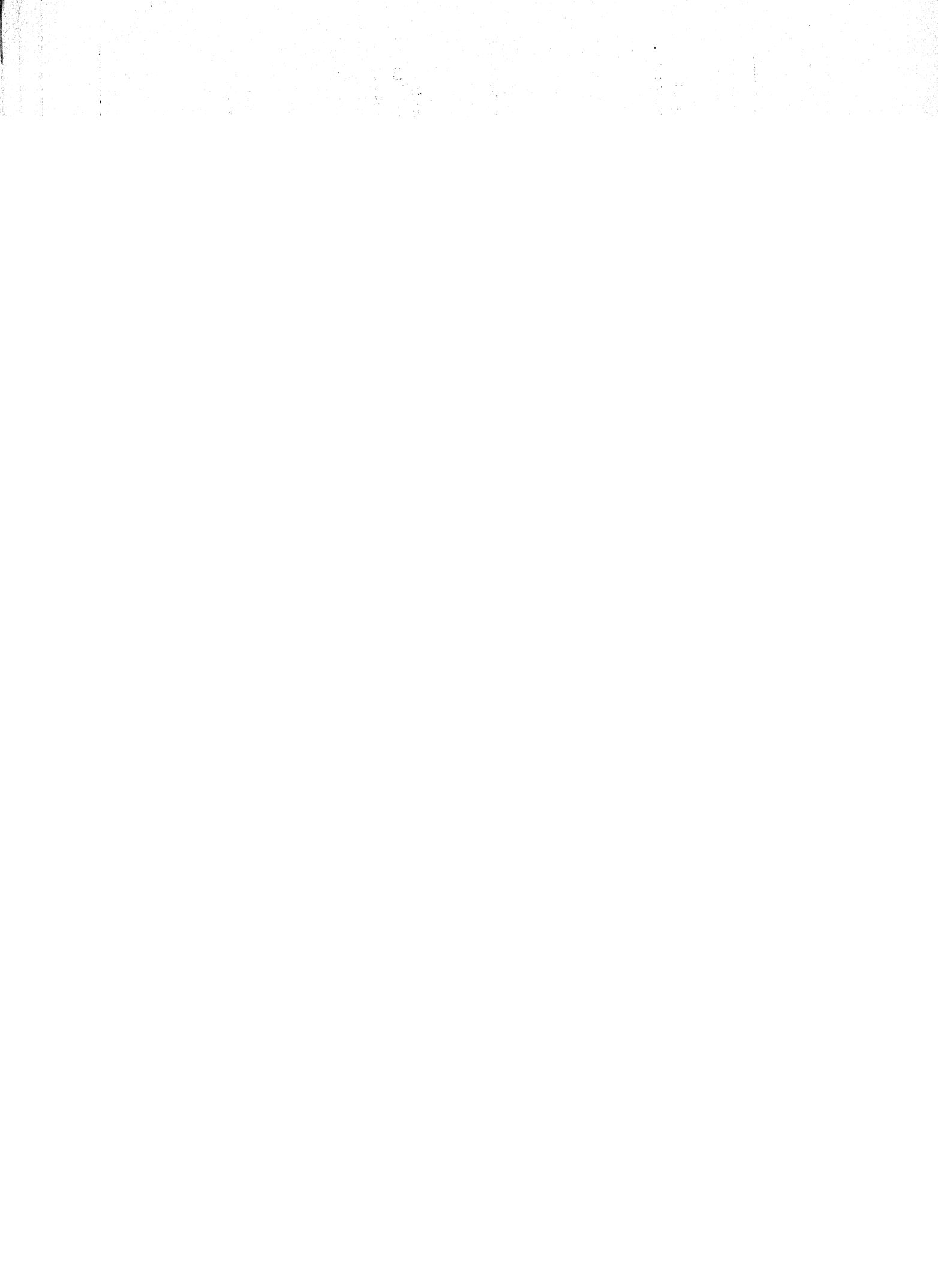
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S. No.	Name of the Company	Product	House/Foreign Co.	Status	Company's Remarks Regarding Licensed Capacity
1	2	3	4		
15.	Glaxo Laboratories (I) Ltd.	FERA			"In addition to the licensed capacities shown above (on a single shift basis where applicable), the company has permission/exemptions in respect of certain products and registration certificates in respect of its industrial undertakings for laboratory chemicals and formulations, which were established prior to the applicability to them of the Industries (Development & Regulation) Act, 1951, for which the licensed capacities have not been given or quantified." (AR 1980, p.18)
16.	Hindustan Heavy Chemicals Ltd. (Sub. of Kesoram Inds. & Cotton Mills Ltd.)	Birla	Ferric Alum, Non-Ferric Alum Sulphonic Acid		"Figures are as per Returns submitted to the Central Government as the licence does not specify the capacity". (AR 1976, p.60)
17.	Hindustan Motors Ltd.	Birla	Cars (Drive away chassis upto 20% of car production & General Utility vans upto 4000 units)		"Not specified" (AR 1980-81, p.29)
18.	Hooghly Docking & Engg. Co. Ltd.	Martin Barn	Chemical Plant & Machinery		"Not Specified" (AR 1979)
19.	J.K. Cotton Spg. & Wwg. Mills Co. Ltd.	J.K. Singhania	Textiles - Ring Spindles, Looms		"Not specified". (AR 1976, p.28)
20.	K.C.P. Ltd.	V. RamaKrishna	Crushers, Grinding Mills, Kilns, coolers etc. (calcining) for minerals, non-mineral and metallurgical industries		"Neither money value nor quantity limit fixed in the licence". (AR 1979, p.33)
21.	Kaycee Inds. Ltd.	Raja]	Rotary Switches, Micro Switches, Water meters		"Not Specified". (AR 1978-79, p.12)

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S. No.	Name of t.e Company	House/Foreign Co. Status	Product	Company's Remarks Regarding Licensed Capacity
1	2	3	4	
22.	Kesoram Lids. & Cotton Mills Ltd.	Birla	Textile: Cloth Yarn (saleable)	"Figures are as per returns submitted to the Central Government as the licence does not specify the capacity". (AR 1979-80, p.34)
23.	Larsen & oubrco Ltd.	L & T	Sheepsfoot rollers, Feed milling plants, Grain silos, Cartage milling plants	"entire country's demand" (AR 1980-81, p.40) "One or Several". (AR 1980-81, p.40)
24.	Laxmi Starc. Ltd.	Pranlal Bhogilal#	Starches & allied products	"Not mentioned in the licence". (AR 1979, p.38)
25.	Nadura Coats 'Ltd.	Madura Coats	Thread: Cotton	"The licence does not specify any capacity". (AR 1978-79,p.26)
26.	May & Baker (I) Ltd.	FERA		"In addition to the licensed capacities shown above (on single shift basis where applicable) the company has permission/no objection letters in respect of certain products and registration certificate in respect of its industrial undertakings for Pharmaceuticals and Drugs, which were established prior to the applicability to them of the Industries (Development & Regulation) Act, 1951, for which the licensed capacities have not been given or quantified". (AR 1980-81, p.30)
27.	Mirch-Mifrex Ltd.	FERA	Industrial machinery	"Qty. unspecified". (AR 1980, p.19)
28.	Mohan Meakin Breweries Ltd.	Mohan Meakin	Beer (Net), Spirit	"One of the company's unit is licensed without any limit and therefore no capacity is mentioned". (AR 1979, p.36)
29.	New Swadeshi Sugars Mills Ltd.	Birla	Jams, Jellies, Squashes & Juices etc. Canned fruits, vegetables & peas, Pickles and Other condiments	"Not specified". (AR 1980, p.34)

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S. No.	Name of the Company	House/Foreign Co.	Product Status	Company's Remarks Regarding Licensed Capacity
1	2	3	4	
30.	Parke Davis (I) Ltd.	FERA		"The Industrial Undertaking was established prior to the enactment of the Industries (Development & Regulation) Act, 1951 and accordingly its authorisation to manufacture consists of the following ... licences and letters granting permission to manufacture certain products in respect of which the capacities have not been quantified..." (AR 1981, p.19)
31.	Paushak Ltd.	Mixed Fertilizers		"Open State Licence" (AR 1980, p.11)
32.	Pallis (I) Ltd.	Formulations		"Licences in respect of 11,138.876 tonnes of solids and 2085.368 Kilolitres of liquid formulations have been taken as per details in the Licence Register, as the licensed quantities were not available in the Registration Certificate". (AR 1979-80, p.25)
33.	Paymond Woolman Mills Ltd.	JK Singhania	Hosiery-Machines	"Not specified" (AR 1980-81, p.24)
34.	Sandoz (I) Ltd.	FERA		"In respect of Pharmaceuticals, in addition to the above, and chemicals for Industrial use (certified by Directors to be for industrial use) the company holds licences/ registration certificates to manufacture certain products in respect of which capacities have not been quantified". (AR 1979, p.35)
35.	Shaw Wallace & Co. Ltd.	Shaw Wallace		"An application has been made to the Central Govt. for a "Carry on Business" licence in terms of Notification... for one of the company's units. Another unit of the co. is licensed without any limit and therefore no capacity is mentioned". (AR 1979, p.45)

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S. No.	Name of the Company	House/Foreign Co. Status	Product	Company's Remarks Regarding Licensed Capacity
1	2	3	4	
36.	Shree Krishna Glynday Sugar Ltd.	Salu Jain	I.M.F.L.	"No capacity determined in licence".(AR 1977-78, p.24)
37.	Shree Ram Mills Ltd.	Prataplal Bhogilal	Chucks	"Company was registered as manufacturing unit of Machine Tools. Licensed capacity is not laid down".(AR 1980,p.23)
38.	Smith, Stanstreet & Co.Ltd.	Turner Morrison		"No quantum of licensed capacity excepting caffeine has been mentioned in the Manufacturing Licence".(AR 1973-74)
39.	Sukhjit Starch & Chemicals Ltd.		Maize Starch Derivatives & By Products	"The company is registered under Industrial (Development & Regulation) Act, 1951 but does not specify the capacity".(AR 1990, p.21)
40.	Svadesti Mills Co. Ltd.	Tata	Spindles, looms	"Licensed capacity (as certified by the Management), since the licence does not indicate the capacity".(AR 1972, p.28)
41.	Tungabhadre Inds. Ltd.	Birla	Soaps	"There being no indication of quantitative capacities in the Registration certificates, the installed capacity... have been deemed to be the licensed capacities for soap".(AR 1978-79, p.24)
42.	Vikhroli Metal Fabricators Ltd. (Sub. of Premier Construction Co. Ltd.)	Walchand	Public Health Engg. equipment	"According to availability of Orders". (AR 1971-72, p.80)
43.	Vulcan Laval Ltd.	Swedish Match/ FERA	Food and beverage processing machinery	"Yet to be fixed". (AR 1979, p.23)

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S. No.	Name of the Company	House/Foreign Co.	Product Status	Company's Remarks Regarding Licensed Capacity
1	2	3	4	

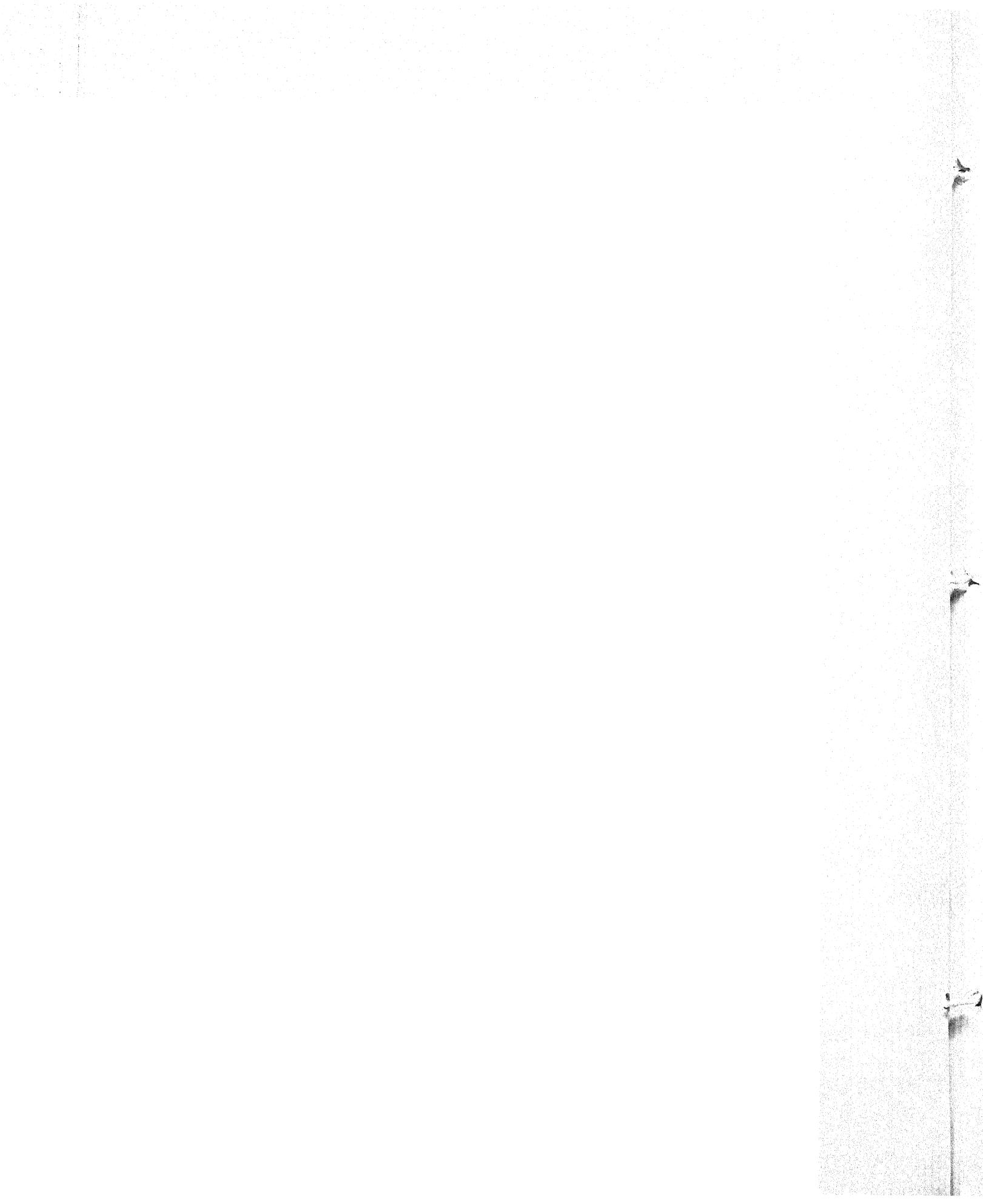
44. Warner-Hindustan Ltd. FERA
 "The Industrial Licence permitted manufacture of formulations for the same capacities as carried on by Warner-Lambert Pharmaceutical company under licence arrangements with firms in India at the time of grant of licence. It is not possible to ascertain or determine such capacities". (AR 1980, p.14)

Notes: # C.I.S. Classification.

AR indicates Annual Report of a company or its parent company, if any, for the year specified.

FERA status is shown as in 1974 when the Act came into force.

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